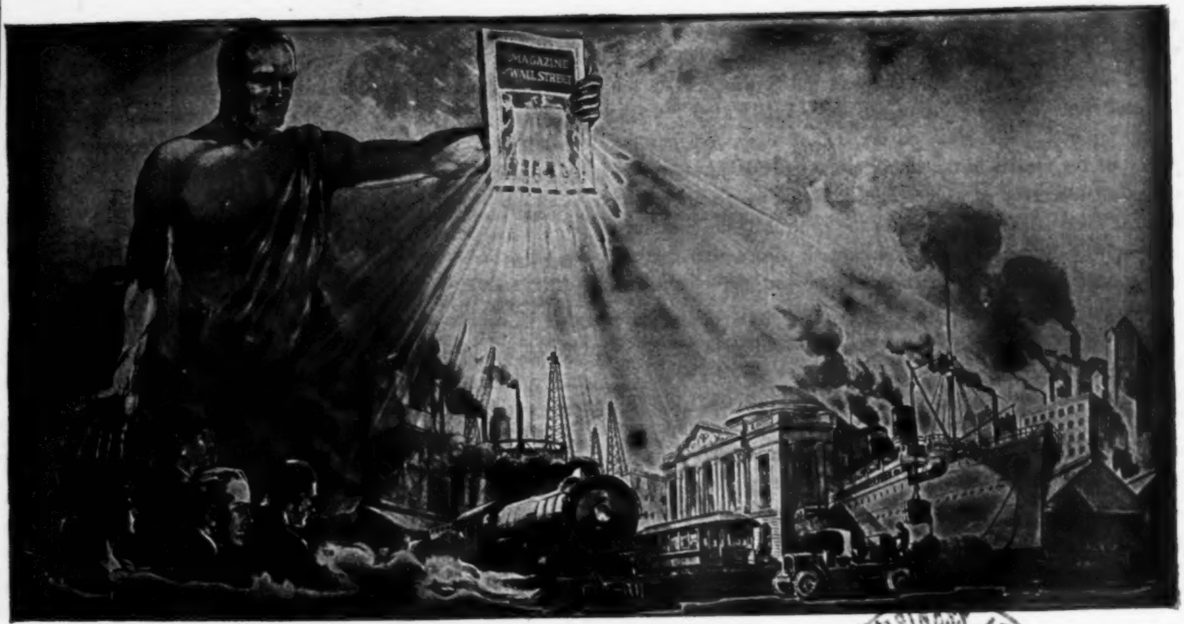


The Outlook

The Genoa Conference—Agricultural Credit Policy—Redistributing Gold—The Market Prospect

THE GENOA CONFERENCE

PREMIER LLOYD GEORGE in an able speech at Westminster on January 21 set forth the arguments in favor of the Genoa Economic Conference far more cogently than any other preceding speaker on the subject. He frankly admits that international trade is in a dangerous, not to say disastrous condition, with a growth of unemployment and international hostility which promises the worst. In these circumstances he rejects the old time methods of secret diplomacy carried on through special ambassadors and resulting in lengthy delays and negotiations. He urges a continuation of the methods adopted at the Washington Arms Conference with a reasonable degree of publicity and quick settlement of issues, through the action of accredited envoys who are authorized to make agreements. While he does not say so, he evidently regards the participation of the United States as essential to the success of the Conference and wishes to see an acceptance from this country at as early a date as possible. As for Russia and Germany, their presence is desired by him not because of the satisfaction to be derived from it, but because their condition evidently constitutes an essential factor in the international problem at the present time,—one which cannot be disposed of without definite information as to their own views of themselves, and definite announcement as to their attitude of what they are willing and able to do in correcting present conditions.

Thus far there has been no announcement on the part of the Administration at Washington regarding its intentions, but the apparent drift of opinion has been away from the sending of envoys, so fully accredited as to be able to accomplish anything very definite. As the Conference has now been definitely set for March 8, a comparatively early announcement of our plans will, however, be essential.

AGRICULTURAL CREDIT POLICY

PRESIDENT HARDING'S Agricultural session which assembled in Washington on January 23, has considered practically every phase of the agricultural problem but has given chief prominence to three aspects of it,—the question of land credit, co-operative marketing and transportation. As for transportation, the farmer, of course, finds it an essential factor in the price of his product and consequently in his own competitive power. Nevertheless, a reduction in transportation rates will not benefit him if it produces serious harm to the railroads.

Reduction of rates on railroads at the present time is possible only in case the roads are able to reduce their expenses and this in the last analysis means a reduction in wages. How difficult such a cut would be is evident from the negotiations that have been in progress between the railroad managers and the employees. Considerable lowering of railroad pay will undoubtedly be an indispensable incident to a restoration of the railroad rates which existed before the war, or anything like them.

The agricultural bloc in Congress has a definite programme and is clearly bent on carrying it out largely regardless of the economic effects it may have.

* * *

RESULTS OF THE BANKING INQUIRY

LAST Summer a joint Congressional commission of inquiry was appointed by Congress and went to work for the purpose of finding out what was the source of the present agricultural troubles and particularly what share banking conditions had in them. The first instalment or part of the Commission's report was published some time ago and had no very striking content, dealing mostly with marketing methods and transportation. Now a second part

which deals with the work of the banks, and particularly with the Federal reserve system has been made public. The report severely condemns the discount policy adopted by the Federal Reserve Board during and immediately after the war on the ground that it was too lax, but it also condemns the policy of the Board in tightening rates and attempting to cut down inflated credit at a later date. While the report admits that the Board was largely under the control of the Treasury Department during and after the war, it also asserts that an earlier start might have been made toward the elimination of inflation.

All this is ancient history. What the Joint Commission now recommends is that the Federal land banks should be empowered to lend directly to farmers on obligations running from six months to three years, and that these obligations should then be discountable under certain conditions with Federal reserve banks. This would suffice to drain off the funds of the Reserve system for agricultural uses, thereby giving the farmer the access to the credit he is supposed to need. Incidentally, the policy might easily result in a secondary inflation which would operate to drive all prices up again in proportion as new advances of excessive credit were made through the machinery provided in the report. *Thus, the remedy applied might be a continuance and intensification of the evil practices regarded as responsible for present troubles.*

* * *

REDISTRIBUTING GOLD

SECRETARY HOOVER as the head of what is called the International High Commission, a body concerned with the promotion of good relations between North and South American countries, particularly in financial affairs, has issued a statement in which he comments on the general character of the economic situation with special reference to the position of the United States. He notes that the outstanding feature of our existing position is found in the fact that we have a large surplus of gold which is not needed here at home but which in fact is causing trouble and which may be regarded as a source of danger. The position of a country whose currency is over valued or is highly valued in terms of the currency of others, it is noted, tends to stimulate imports and impair the ability to export. This, however, has evidently not been the case in the recent history of the United States since our imports have fallen off a good deal more than our exports, relatively speaking, during the year 1921.

Mr. Hoover further suggests that it would be well to invest our excess gold in foreign countries. This idea apparently ignores the fact that the "investments" which foreign countries want today are not gold but are the various forms of capital, such as metals, raw materials, machinery, etc. Shipments of gold abroad would doubtless result in a prompt return of the gold to us as has been found to be the case quite steadily during the past twelve months. As for sending gold to South America, that is probably the least likely direction that our supply of the metal should take were we to determine upon a policy of redistribution.

The international gold problem is essentially a question of banking and currency, not of capital in any sense of the term. Only confusion results from failure to discriminate between these two quite distinct ideas.

* * *

BONUS AND DEBT FUNDING

DEVELOPMENTS in Congress seem to make it clear that both the soldiers' bonus measure and the International Debt Funding Bill will be urgently pressed forward within the early future. They will not, however, probably be associated in the same bill as has been expected by many advocates of a distribution to ex-service men.

President Harding recognizes that the interest, if any, collected on our foreign claims, during the first year after the adoption of a funding bill is likely to be very small as compared with the sums required for bonus expenses. Hence the necessity of a tax measure of some kind to provide the means for the payment of bonuses if a bonus measure is actually to go into effect.

Congressmen who some time ago were inclined to believe in the feasibility of a sales tax as a means of collecting the funds needed for the bonus, are now turning in many cases, to the idea of a tax on bank checks and other stamp taxes in lieu of the sales tax proposition. The desire of course is to make the getting of the money as nearly painless as possible, —an effort which is not likely to be very successful at a time when taxpayers are overloaded with the burdens they must carry in view of existing Federal demands. Indeed, the necessity of paying for the bonus by means of taxation has gone further towards rendering the proposal unpopular than any amount of argument could possibly have done.

It might be feasible to defeat the whole bonus movement were President Harding inclined to exert himself for that purpose. He, however, is apparently disposed to assent to bonus plans, provided only that they are accompanied by new tax legislation of a kind that will provide the funds requisite to pay the expense involved in the disbursements.

* * *

THE MARKET PROSPECT

WHILE in some groups the advances in security prices have run somewhat ahead of the industrial situation, and there are a few signs of hesitation, fundamental conditions promise further encouragement as the season progresses.

Reactionary tendencies are often characteristic of February and will doubtless be taken advantage of by those investors who failed to accumulate their full lines at the previous low levels.

There are preliminary signs of new and important merger operations which should lead to considerable activity in certain quarters within the next few months.

Will the Budget Reduce Your Taxes?

Chairman John T. Pratt, of National Budget Committee, Describes Campaign

Interview by **RALPH RUSHMORE**

THE business men of the United States have sounded the death knell of inefficient and, therefore, excessively costly government.

Through the offices of a national committee, which includes in its membership many of our most prominent industrial and financial leaders, they have embarked upon a program which, carried to its logical conclusion, will eventually mean the complete reorganization of the Washington machinery.

These business men base their campaign, frankly and openly, upon what they call "an enlightened self-interest." They see in it a means of halting extravagance and waste, of assuring greater teamwork between our law makers and our business getters, and, above all, of reducing taxes. And the accomplishments of their committee have already been far-reaching enough to prove its strength.

The committee's program for the future makes its cause of great significance to the investing- and tax-paying world. In that program lie the potentialities of a direct and powerful blow at the processes of "special privilege" and class legislation —even of congressional "blocs." It is the first practical move ever made toward controlling Government expenditures. It is an honest and sincere attempt to rebuild the Government machinery in such wise that needful legislation may be enacted without undue, vexatious and costly delays.

More should be known about its personnel and its purposes.

What the National Committee Is

The national committee referred to was incorporated in Washington, D. C., something over two years ago. It is known as the "National Budget Committee." Included in its executive personnel are the following:

John T. Pratt, Chairman.
Samuel McCune Lindsay, V.-Chairman.
Henry L. Stimson, Treasurer.
William M. Chadbourne, Secretary.

Also actively interested in the organization are Dr. Nicholas Murray Butler; former Assistant Secretary of the Treasury Russell C. Leffingwell; Benjamin Strong, Governor of the Federal Reserve Bank of New York; Chief Justice William Howard Taft, and Paul M. Warburg.

To the chairman of the committee, John T. Pratt, those who have followed its career attribute its chief source of energy and vision.

Chairman John T. Pratt

The writer sought out Mr. Pratt in his Broadway office a few days ago. The purpose was to secure the chairman's cooperation in the preparation of an article that would clarify the purposes and make-up of this National Budget Committee for the benefit of the readers of The Magazine of Wall Street.

Mr. Pratt, by the way, is an electric personality. Of medium height, and slightly built, he typifies the successful American man of affairs—alert, accurate and incisive. The son of Charles Pratt, founder of Pratt Institute, he has a direct heritage of mental "bigness" which has been amplified by manifold business activities that find him, at present, a special partner in the banking house of Grayson M. P. Murphy.

"Mr. Pratt," ran the first question, "Why was the Budget Committee formed in the first place? That is, what did it start out to do?"

"Starting back at the beginning," he said, "there were two basic reasons for the formation of the committee. The first was to get the Budget Bill passed. The second was to introduce the Executive Budget Principle in the conduct of our Government. That principle," he added, "has been defined many times before. It is, to put business into Government, and to take politics out of business."

JOHN T. PRATT

Chairman of the National Budget Committee and leader of the business men's fight for lower taxes

"What was the situation as regards Government expenses and Government income at the time?"

"The situation," replied Mr. Pratt, *staccato*, "was bad—very bad. The war had exaggerated the tendency toward inefficiency. Taxes were exorbitant. Business was in a mesh of unwarrantable governmental interference. There was a crying need for reform."

"How has the committee gone about getting its purposes before the people?"

"The committee adopted a national organization. From this organization its activities were distributed through State chairman and local congressional district committees. No one locality or section was favored."

Sentiments similar to the last remark, by the way, were sounded again and again in the course of Mr. Pratt's later remarks. It was evident that the effort to avoid sectionalism—favoritism of any sort—had literally pervaded the committee's organization and its subsequent operations.

The Greatest Drains Upon National Income

The chairman was then asked what the committee had found to be "the greatest drains upon the national income" at the time it took up the cudgels.

"It was soon discovered," said Mr. Pratt, "that the greatest need for reform lay in executive department organization. Instance after instance was uncovered where executive departments had been saddled with responsibilities, petty routine of one sort or another, which were entirely foreign to their purpose and which hampered them in the performance of their proper duties.

"For example," the chairman continued, "during the Spanish-American War of '98, the War Department took over the management and control of all matters in the Philippine Islands and Porto Rico. For the purpose, Congress created a Bureau of Insular Affairs in the War Department which was made responsible for all civil matters—education, health, sanitation, and so on. The emergency may have justified this action. But when the war ended, instead of relieving the War Department of this burden, which did not rightfully belong to it, and which it should not have been expected to maintain, it was required to keep on with it. As a result, in addition to the innumerable other complications with which the War Department had to contend during the great war in Europe, it was required to give time and attention to matters relating to the education of natives of our insular possessions.

"That," said Mr. Pratt, "is typical of the irregularities we found to exist in executive department organization, and one of the chief drains upon national income. The next most important drain grew out of the demands of national organizations, which were fostering new and untried enterprises."

The Committee's Accomplishments

Mr. Pratt was then asked to name what he considered to be the definite accomplishments of the Budget Committee thus far. Had it gotten results?

"There have been two definite accomplishments," he replied. "First, the Budget Bill was passed. Secondly, certain desirable congressional rules were adopted."

Incidentally, it seems to this writer that Mr. Pratt might also have referred—and with justifiable pride—to another accomplishment of the committee which many consider its most important. That is, its successful efforts on behalf of the appointment of Brigadier General Charles G.

Dawes to the office of Director of the Budget. Certainly, this was an accomplishment of first importance, since General Dawes has since proven himself the "one man in a million" possessing the necessary qualifications for the office which he fills.

What Dawes has done would fill a book. It is available in handier form, fortunately, in the first report submitted by him to the President. **It is seen that the way has been paved for a reduction in Government expenses of more than one billion five hundred and seventy million dollars in the fiscal year to June 30, 1922; and a reduction of well over two billion dollars for the fiscal year 1923—both savings being computed on the basis of the amount actually spent in the year 1921.**

For the Immediate Future—

The interviewer then asked Mr. Pratt what the immediate plans of the Budget Committee were. By way of reply, the chairman showed him a pamphlet published by the committee—a pamphlet, by the way, which should be in the hands of every business man in the country.

"The immediate present objectives of the Budget Committee are three in number. First, the consideration by the House and by the Senate, sitting as a committee of the whole, of the entire financial plan contained in the President's budget and in the report of a single Appropriations Committee in the House and in the Senate. Such a single Appropriations Committee has been created by the House, but not yet by the Senate.

"Which differs from the present procedure, or machinery, as regards appropriations," commented Mr. Pratt, "in that there are no less than fifteen appropriation committees in the Senate at the present time!"

Secondly, the committee is working for a rule by which the members of both Houses of Congress deny themselves the right "to introduce any bills calling for the appropriation of money until the President's budget is acted upon and disposed of."

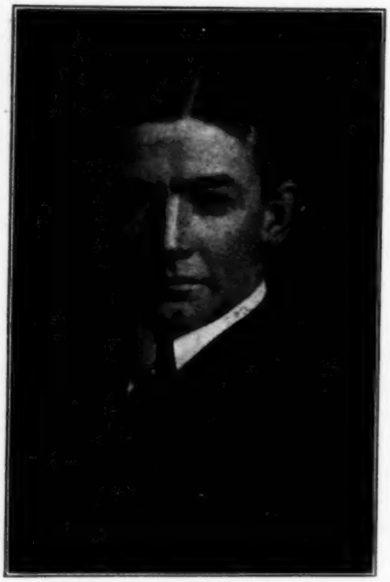
Thirdly, a rule by which the members of the President's Cabinet may have the opportunity of "defending the estimates contained, both as to revenue and expenditure, in the President's budget before the House and the Senate."

"What hopes have you," Mr. Pratt was asked, "that your program will meet with any early success?"

"The outlook is fairly good," was the reply. "But every business man and every man in Congress will have to co-operate.

"We must face this situation," went on the chairman of the Budget Committee, "with courage and frankness. What we business men, particularly, are asking others to do, we must be willing to do ourselves. And co-operation from what might be called the 'private citizens' is an essential. Those, for example, who are interested in the development of a waterway from Duluth to the sea; the people of Arizona, who are interested in securing appropriations for irrigation; the business men of the South who are interested in the development of the Mississippi Valley—citizens everywhere who are interested in the development of their own communities and the solution of their own local problems—as they have every right to be—must be willing to discuss their desires with the proper administrative branch of the Government, so that they may be regarded and treated from the standpoint of the nation as a whole, to the end that the proper distinction between administrative and political problems may be drawn, and to the end that the interests of the whole people, rather than of a part of the people, may be served.

"The log-rolling system," continued Mr. Pratt, "must be removed finally, definitely and permanently from problems of administration. Surely, the Postmaster General of the United States, as the administrative officer of this great executive department, is better qualified to determine the needs of the country as to new postoffices than the Congressman who necessarily must approach the problem from the standpoint of local interest. And surely the interests of the whole country will be better served if we will get into



BRIG.-GEN. CHARLES G. DAWES

Whose directorship of the budget has paved the way to a reduction of over two billions in Government expenses

the habit of taking up these questions with the administrative officer whose duty it is to avoid the influences of sectionalism in dealing with them.

"We must go even further. In our business we must apply the same self-denying ordinances that we are asking Congress to make. We have an independent Tariff Commission set up for the purpose of considering the question of tariff rates as a national problem. If we, in our own particular business, desire tariff relief, it is our duty, as citizens, to go first to the Tariff Commission to get justice. If we fail there we can then go to our legislators. But we violate the whole spirit and purpose of tariff reform on the basis of national interest when we go to our legislators to get *influence* before we even approach our Tariff Commission to get *justice*.

"Similarly, we violate the spirit and purpose of the Executive Budget System when we go to our Congressman to get appropriations for local purposes before we have given the Director of the Budget and the administrative officers of the Government, and later the members of the Senate and House of Representatives sitting as a committee of the whole, a fair chance to consider the requirements of all the departments and the needs of all sections of the country, in relation to each other, in relation to anticipate revenues, and in relation to national prosperity and success."

How the Government Would Be Administered

"The plans of your committee, Mr. Pratt," it was suggested, "call for some sweeping changes in the procedure of Government. Probably, then, there would have to be similar changes in the machinery?"

"I will tell you some of the changes we think would, and should be made," replied Mr. Pratt.

"The two party system would be maintained. The Cabinet would be formed and exist, just as now. But each Government Department would be under the control of a non-political, permanent Under Secretary.

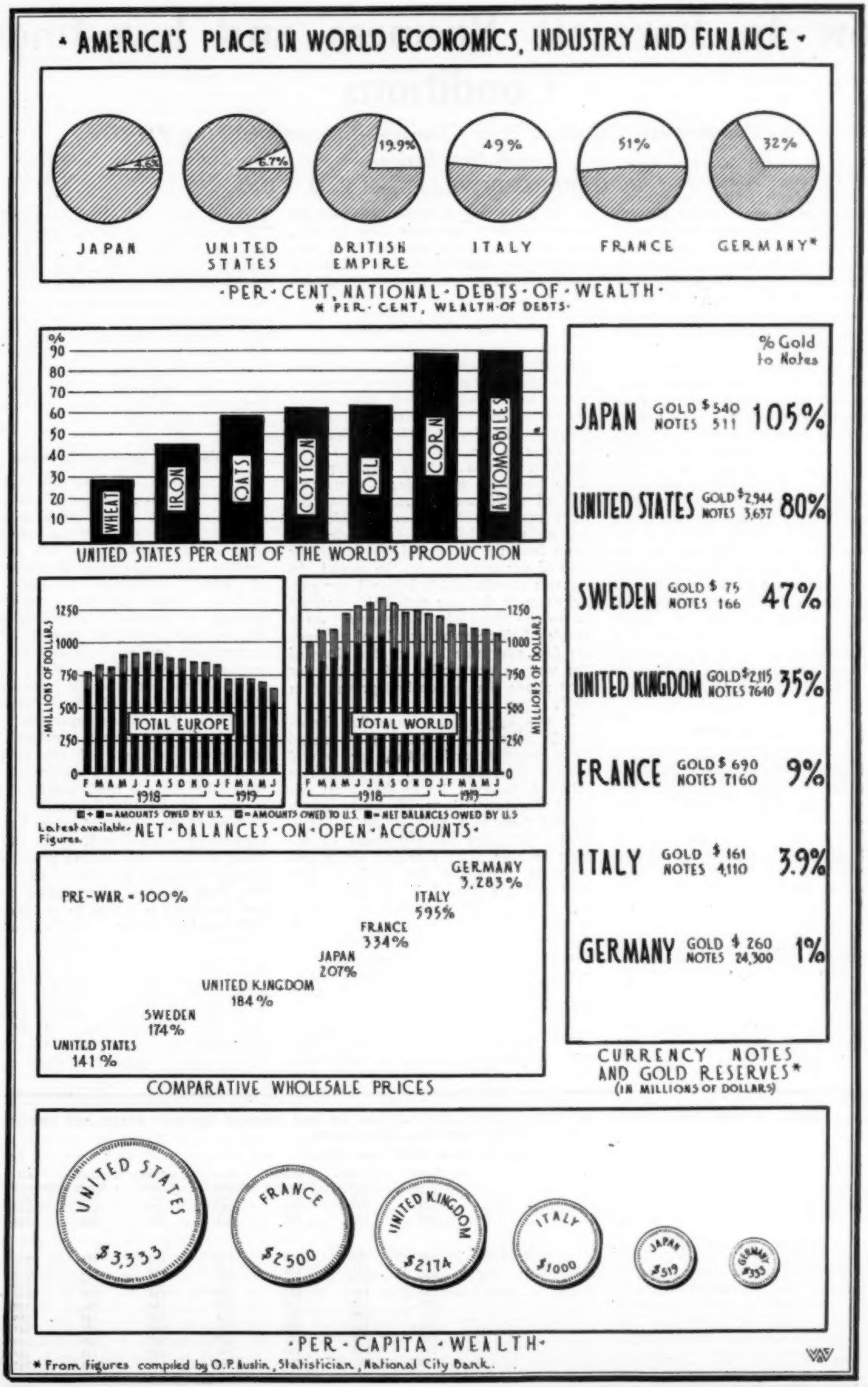
"There would be an Annual Budget submitted, containing the figures for Government expenditures as approved by the last Congress. Congress would debate, for some part of every session, the national policies contained in the Budget. Each Cabinet member would appear in person before the House and the Senate, to explain the figures in the Budget emanating from his department. The balance of the session would be spent in debating new legislation suggested by the President, his Cabinet and the leaders of Congress, as well as in following the reports of the work of the various executive departments submitted by the Cabinet officers and supported by the testimony and knowledge of the permanent Under Secretary.

"There would be no blocs. The operations of the executive Bureaus will be conducted as business men conduct their affairs—without the blighting influence of party politics. The differences between the parties will be on cleancut and clearly defined national issues.

"The party platforms would not be a collection of platitudes, as they are today—especially baited to catch the votes of certain selected classes. Vital, fundamental issues will be presented in them.

"Finally, positions in the great Government boards and courts would be filled by men selected for their training and ability and not for their political predilections."

And there, as clearly as this writer can present it, is the story of the National Budget Committee. Reading between the lines, it is to be hoped that investors and business men will see in the work of the committee a work that is to be heartily commended and which deserves the backing of every thoughtful man. For either in that work, or else in a close development of it, seems to lie the one hope of increased Government efficiency, lowered Government costs—and Lower Taxes!


AMERICA'S PLACE IN WORLD ECONOMICS, INDUSTRY AND FINANCE
3.6%
6.7%
19.9%
49%
51%
32%
JAPAN
UNITED STATES
BRITISH EMPIRE
ITALY
FRANCE
GERMANY*
PER CENT, NATIONAL DEBTS OF WEALTH
* PER CENT, WEALTH OF DEBTS
%
90
80
70
60
50
40
30
20
10
WHEAT
IRON
OATS
COTTON
OIL
CORN
AUTOMOBILES
UNITED STATES PER CENT OF THE WORLD'S PRODUCTION
1250
1000
750
500
250
0
MILLIONS OF DOLLARS
TOTAL EUROPE
TOTAL WORLD
F M A M J J A S O N D J F M A M J
1918
1919
▨ + ■ = AMOUNTS OWED BY U.S. ▨ = AMOUNTS OWED TO U.S. ■ = NET BALANCES OWED BY U.S.
Latest available Figures.
NET BALANCES ON OPEN ACCOUNTS
% Gold to Notes
JAPAN GOLD $540 NOTES 511 105%
UNITED STATES GOLD $2,944 NOTES 3,637 80%
SWEDEN GOLD $75 NOTES 166 47%
UNITED KINGDOM GOLD $2,115 NOTES 7640 35%
FRANCE GOLD $690 NOTES 7160 9%
ITALY GOLD $161 NOTES 4,110 3.9%
GERMANY GOLD $260 NOTES 24,300 1%
CURRENCY NOTES AND GOLD RESERVES*
(IN MILLIONS OF DOLLARS)
PRE-WAR = 100%
GERMANY 3,283%
ITALY 595%
FRANCE 334%
JAPAN 207%
UNITED KINGDOM 184%
SWEDEN 174%
UNITED STATES 141%
COMPARATIVE WHOLESALE PRICES
UNITED STATES $3,333
FRANCE $2500
UNITED KINGDOM $2174
ITALY $1000
JAPAN $519
GERMANY $353
PER CAPITA WEALTH
* From figures compiled by O.P. Austin, Statistician, National City Bank.

How to Forecast Business and Investment Conditions

The Fundamental Canals of Price Changes—International Price Variations —A New Series—

By **H. PARKER WILLIS and E. D. KING**

THE movement and probable changes of the price level since the close of the European war are undoubtedly to be ranked as fundamental factors in determining and altering the general flow of business. These changes of prices have been reflected in or paralleled by changes in stock and bond values, as well as in alterations of money rates. Such reflection or parallelism is, however, seldom or never direct and requires interpretation when it does occur. Both commodity and security prices, as well as money rates, were profoundly influenced during the war by changes of government policy and by methods of artificial public control. These extraneous influences technically came to a close, in some countries at least (including our own), soon after the armistice, but their results have been too far reaching and important to be so readily dispensed with. They have continued to influence market conditions both for commodities and securities, although as time has passed there has been a greater approach to a state of things in which the movement of values was undisturbed by any except economic factors, and hence self-regulating.

Movement of Prices

With the currencies of the world in large measure off the gold basis and with international exchange profoundly disturbed, the study of prices in the post-war years has assumed a much greater difficulty than at any time in the past. It has also assumed a far greater importance because of the fact that the price level is now an index both of general economic conditions, and of the internal currency conditions of the various countries.

In reviewing the price situation it is desirable first of all to consider our own domestic price level and to note the changes that have taken place in wholesale values as shown by the index number method. This is supplied in condensed form in the attached table:

The index numbers thus numerically stated can be better understood by plotting the returns for the several groups into which they have been segregated. Such a chart is furnished in an accompanying graph.

An Unparalleled Situation

Comparison of the general situation thus depicted with preceding conditions shows that during no period of economic history have there been such sharp, and at the same time such extreme movements of prices as those which have followed the close of the European war. During the war, as was to have been expected, there had been a practically continuous upward movement of prices. This upward movement had been divisible into two main periods—the first, covering the years from the opening of the war to the time of our entry into it; the second, the eighteen months which followed our participation in the war and which brought us to the close of the struggle. **As a result of these two periods of advance we find our price level at the close of the war at practically 225, or 125 per cent above that which had prevailed in 1913.**

It was expected by some that immediately after the armistice there would be a reaction, and indeed for several months thereafter there was hesitation followed, however, by another great upward movement in price levels which carried them to a peak of 268 in May, 1920. Following the attainment of the crest in May, 1920, recession set in and extended throughout the whole of that year and the first half of 1921. The second half of 1921 has been a period of comparative stability with relatively small average movements, although some commodities have fluctuated extensively, certain of them advancing and others declining, but offsetting each other in large measure.

A study of the charts herewith supplied shows that during the seven years from 1914 to 1920 prices moved up 110%—that is to say, they were 268 as compared with 100 at the beginning of the period. They also show that prices during the year 1920-21 declined 130%—that is to say, they reached a level of 140 by the middle of 1921. These changes were sufficiently remarkable in themselves. In their business influence—their effects upon banking and credit—they have been unprecedented. Merely to sketch the actual facts as regards the movement of the price level thus shows the far reaching character of what has been done.

Variation Between Countries

It is, however, when we turn from the general level of prices to an analysis of price movements in the various industrial countries, and a study of the movements of individual commodities, that the universality and importance of the problem of price movements becomes most obvious. There has been a very great diversity of movement as between different countries as well as between different commodities and this diversity has been emphasized since the close of the war by reason of the conditions in currency and banking policy which have developed since that time. **A comparison of figures tracing the general outlines of the movement in some of the principal countries of the world moreover, show wide differences in trend and from these it may be directly inferred that the downward movement of prices has now apparently reached its limit for the time being at least, since falling prices at the present moment are rather the exception than the rule, there being only a few countries in which price levels are still steadily falling.** In England, the Scandinavian countries and in Canada price levels are falling; in the United States, as already seen, they are practically stable, while in Germany, Poland, Bulgaria and Eastern Europe generally they are on the increase. In fact such indications as can be drawn from recent figures seem to point to a slight upward

INDEX NUMBERS OF WHOLESALE PRICES IN UNITED STATES—CONSTRUCTED BY THE FEDERAL RESERVE BOARD FOR THE PURPOSE OF INTERNATIONAL COMPARISON.

(Average prices in 1913 equal 100.)

Date	Goods Produced	Goods Imported	Goods Exported	Raw Materials	Producers' Goods	Consumers' Goods	All Commodities
1919 average	209	174	214	209	198	207	206
1920, average	236	191	227	235	237	229	233
1920, October	213	142	181	211	209	203	208
1921							
January	166	114	142	164	166	159	163
February	156	113	135	152	158	152	154
March	152	114	125	146	153	151	150
April	145	109	121	136	148	147	143
May	145	105	125	139	145	144	142
June	141	102	122	133	140	144	139
July	144	103	122	134	136	152	141
August	145	104	123	133	133	157	143
September	145	106	144	138	133	152	143
October	143	107	141	140	132	145	141

tendency in the price level in the United States.

The effect of the changes in price levels has undoubtedly been that of redistributing wealth in an extreme degree and of introducing a speculative element into business transactions which had not previously been present there. An examination of the price situation thus appears to be perhaps the most fundamental element in our economic problem at the present time and accordingly entitled to peculiarly careful analysis. The price level should be studied not only from its standpoint but also in relation to credit and banking movements, as well as in its relation to changes in production.

Causes of Fluctuation

The causes which have operated to produce changes in prices since the close of the war have been numerous and exceptionally complex. In later articles, it will be attempted to set forth some of the salient factors in the situation. At this point, by way of preliminary survey, all that is needed is a brief statement of the chief elements in the case.

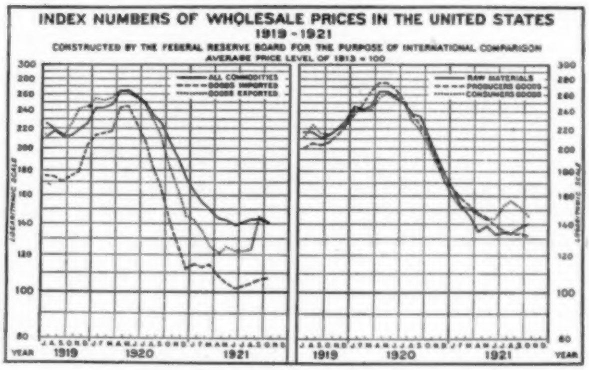
Outstanding among factors tending to alter prices, has been a general change in the quantity and available supply of commodities available for distribution. Reliable figures indicate that during the war, the increase of production, as compared with the pre-war year of 1913, was from 18 to 20%. This in itself should have tended to reduce prices by creating a supply of goods which was relatively larger as compared with the supply of money and credit. Factors of this general sort do not, of course, show their effects instantly and it required some time to indicate what the precise effect of the increase in production would be. Some "lag" or postponement of such effect, was in any case to be expected, and it was not until nearly 18 months after the war that the results of general increase in production began to show itself in a lower level of values. Coincident with improvement in production went the well-known enlargement of the volume of bank credit and currency which tend in a direction opposite to that indicated by growth of production. This growth of bank credit was in part natural;—due to our larger supply of gold and our better banking facilities, and in part artificial or sporadic, —due to war conditions and war discount policies with the corresponding results in the creation of larger temporary buying power. Government control of prices during and for some time subsequent to the close of the war disturbed price movements not only immediately and directly, but through their indirect influence. Government purchasing and accumulation of goods was an important factor in not a few lines and profoundly influenced not only commodity but also security prices.

All these, as well as other minor factors will be analyzed in subsequent discussions. The present article is necessarily devoted solely to a presentation and outlining of the main facts in the situation.

Trend of Stock Market Prices

It is now desirable, leaving the commodity side of the problem to sketch the course of stock prices in the past half century and more particularly those during and after the War of 1914-1918.

If the reader will glance first at any average for stock market prices in 1860 and then compare them with the average at the beginning of 1922, it will be seen that the stock price level now is very much higher than that existing in 1860. Of course, it will be understood that present averages include, in addition to stocks existing in 1860, a number of issues of companies which were not in existence in that year. Therefore, the comparison, strictly speaking,, is not based on identical date in each instance. However, a fair idea can be gained of the broad movement in prices so that as a general picture of conditions the graph presented is representative.



The most striking feature of the line of movement of stock averages is that in each instance where there has been a broad movement in stocks, it has coincided with world disturbances such as the Civil War, the Franco-Prussian War, the Russo-Japanese War, and finally, the World War of 1914-1918.

These wars created economic influences of far-reaching order, directly affecting general business conditions and therefore the stock market, which is conceded to be a more or less accurate barometer of business conditions.

It will be noticed that while in the period 1860-1900 there were important movements in stock prices, at the beginning of the twentieth century the average of prices was not very much higher than that at the beginning of the Civil War. Thus, the average in 1860 was about 42 and that in 1900 about 74. In other words, there was a rise of only 32 points in the forty years between 1860 and 1900. Considering that in the five-year period 1915-1919, inclusive, there was a rise from 60 to about 100, a distance of forty points, the rapidity of the advance in the 1860-1900 period cannot be considered remarkable.

Prices During the World War

In the period 1900 to 1914 there were some very sharp movements in stock prices due in particular to such influences as the Russo-Japanese War, the period of consolidation of American railroads and industry, the enhanced power of American industry in world trade and the slowly rising level of commodity prices which in itself was due to the increased purchasing power of the world created by the era of comparative peace in 1900-1914.

Just before 1914 the American stock market gave indications of the impending catastrophe. The average of stocks dropped from 84 to slightly under 60 in the brief period February-June, 1914. Then came the war in the beginning of which stock prices hesitated for nearly a half year until in the beginning of 1915 they commenced the sharp advance which was not to culminate, broadly, until the end of 1919.

While in the period 1914-1919 there were some reversals, one of which—that of 1917—brought the level down to the point at which it started its upward advance in 1914—the main movement was upward. This was accompanied by at first a slow and then an increasingly rapid advance in commodity prices both movements culminating at almost the same time—the bull market in stocks practically ending November, 1919, and the bull market in commodities a few months later, in the Spring of 1920.

It is important also to recognize differences in the actions of various groups of stocks during the period of generally rising commodity prices such as was witnessed in 1914-1920.

Three New Groups of Stocks

There are three main groups of stocks on the New York Stock Exchange—the railroads, the public utilities and the so-called industrials. The latter group includes numerous shares of miscellaneous and inter-related industries. The first two groups—the railroads and public utilities—may properly be associated together as they are subject to the same broad influences. During the period under discussion, the rise in the industrial list of shares was generally not participated in by either the railroads or the public utility companies. The reason is that the two latter were adversely affected by the rising cost of operations which situation was rendered more particularly acute because for a very considerable period these companies were not in a position to raise their rates to conform with the higher cost of operations. On the other hand, the industrial companies were under no such limitations. While their cost of operations increased materially, they were able at least to offset and in many instances more than offset this condition by advancing the price on their own products. It is necessary therefore to distinguish between the market action of the various groups of securities in the period 1914-1920.

The "Panic" of 1919-1921

As previously stated the broad advance in shares culminated in November, 1919. From that time on—with the exception of a short-lived rally in the early part of 1920—the movement was almost uniformly downward. This downward movement,

(Continued on page 512)

Foreign Trade and Securities

Foreign Municipal Bonds As Investments

Many High-Grade Issues Offering an Opportunity for Sound Investment

By **THOMAS P. PRATT**

UNITED States Victory and Liberty bonds and foreign government municipal bonds have advanced in the past few months from 10 to 12%. Municipal bonds follow closely the course of government bonds because they are government bonds on a smaller scale at higher rates of interest. Notwithstanding recent advances in values, municipal bonds still produce higher interest than the normal rate level to which they are steadily and inevitably falling. Hence these securities, as safe as government bonds in many respects, are in greater demand than for ten or fifteen years past.

For years, municipalities of almost every foreign nation secured their funds in the London market. If you were to go over the London Stock Exchange list, you would note issues of municipalities starting with City of Auckland 6s of 1872, and ending with Yokohama City Waterworks 6s. There are many hundreds of such issues daily traded in on the London Stock Exchange. The continental investor always considered such investments as conservative and high grade. The percentage of loss within the last twenty-five years has been negligible. This is chiefly due to the fact that laws regulating their issuance in their countries of origin have been made more stringent, and the international bankers who offered the bonds for sale have forced the municipalities to live up to them. Then, too, these same bankers have offered little encouragement for too excessive debt-creating, even where legally permissible.

TABLE I.—FOREIGN MUNICIPAL BONDS ISSUED AND SOLD IN THE UNITED STATES.

	Date	Maturity	Offered at	Amount
City of Sao Paulo 6% Serial Bonds.......	Dec. 1, 1916	Jan. 1, '19-28	96.09-100	$5,500,000
City of Rio de Janeiro 6% Bonds........	May 1, 1919	May 1, '22-31	6½%	10,000,000
City of Sao Paulo 6% 24 yr. Bonds......	Nov. 1, 1919	Nov. 1, 1943	95½	8,500,000
City of Rio de Janeiro 8% Bonds........	October, 1921	1946	97¾	12,000,000
City of Copenhagen 5½% 25 yr. Bonds..	July 1, 1919	July 1, 1944	93½	15,000,000
Dan. Cons. Municipal 8s Ser. "A"	Feb. 1, 1921	Feb. 1, 1946	98	7,000,000
Dan. Cons. Municipal 8s Ser. "B"......	Feb. 1, 1921	Feb. 1, 1946	98	8,000,000
City of Paris 5 yr. 6% Bonds............	Oct. 15, 1916	Oct. 15, 1921	98¾	50,000,000
Bordeaux-Lyons-Marseilles 3 yr. 6% Gold Notes	Nov. 1, 1916	Nov. 1, 1919	98	60,000,000
City of Bordeaux 15 yr. 6s..............	Nov. 1, 1919	Nov. 1, 1934	92½	15,000,000
City of Lyons 15 yr. 6% Bonds..........	Nov. 1, 1919	Nov. 1, 1934	92½	15,000,000
City of Marseilles 15 yr. 6% Bonds......	Nov. 1, 1919	Nov. 1, 1934	92½	15,000,000
City of Tokio 5% (£2,175,000)..........	Feb. 22, 1912	Sept. 1, 1952	95¾	9,720,000
City of Saltillo 6% Bonds................	Dec. 1, 1899	Dec. 1, 1929		235,000
City of Bergen 8% Loan	Nov. 10, 1920	Nov. 1, 1945	98	4,000,000
City of Christiania 8% Loan	October, 1920	1921-1930	99	5,000,000
City of Zurich 8% Bonds	Oct. 15, 1920	Oct. 15, 1945	99½	6,000,000
City of Berne 8% Bonds	Nov. 1, 1920	Nov. 1, 1945	99	6,000,000
		Total	....	$251,955,000

U. S. as a Money Lender

Since the great change in the world's economic situation caused by the war, the United States is now looked upon as the money-lending nation, and these municipalities, which prior to the great conflict obtained their funds in London, have come to the United States for their financing. Table I includes what is believed to be a complete list of all foreign municipal bonds, not including State issues, that have been offered in the United States for subscription. The list does not include Canadian issues, as there are so many that a compilation would almost be impossible. Note the extent of American financing of foreign municipalities prior to 1916. There were only two issues, the City of Saltillo, Mexico, 6% bonds in 1899, and the City of Tokio 5s of 1912. The total amount of these loans is only $9,955,000. Since then $242,000,000 have been loaned to municipalities of countries situated East, West, North and South. The rapidity with which the bonds representing this amount were absorbed by the investing public is now a matter of history. The subscription books were in most cases opened as a matter of form only. How well they were distributed is evidenced by the fact that during the year of 1921 only $51,486,000 par value were traded in. This is shown in Table II. Of the bonds shown in Table I, several have matured, which brings the amount outstanding in the hands of the public to about $141,700,000.

French Tri-City Bonds

Although all of the foreign municipals listed show at present prices attractive yields, the French cities stand out. The cities of Marseilles, Lyons and Bordeaux first came to this market for funds in 1916. At that time they borrowed $60,000,000, issuing three-year 6% gold notes. These bonds matured and were paid off November 1, 1919. They then returned to this market for further funds, and although they had passed necessary laws authorizing the issuance of $45,000,000, they only issued $22,779,300, as follows: City of Marseilles, $7,409,100; City of Lyons, $7,409,200; City of Bordeaux, $7,961,000. These were issued to mature November 1, 1934, and bear 6% coupons. The bonds are non-callable. Principal and interest are payable in New York in United States gold coin, without any deduction for any French governmental, municipal or other French taxes, either present or future. Interest is payable May 1 and November 1, and bonds are in coupon form, in denominations of $1,000, $500 and $100.

Each issue is the direct obligation and only external loan of the city issuing the same. To assure holders of these bonds that payment of principal or interest will be made in gold, the French Government has agreed to undertake to furnish these cities, if necessary, with gold in the amount needed, and authorize its exportation for this purpose. According to the laws of France governing municipalities, the finances of these cities and the authority to borrow money, levy taxes and execute the annual budgets are under the control and supervision of the French National Government. Under this supervision the municipal authorities of these cities have followed a conservative fiscal policy, establishing the credit of the cities upon a sound basis.

The three cities are among the largest and most important trade centers of France. Originally established in ancient times on main trade routes, they have grown steadily to their present importance, because of natural economic advantages. Situated far from the zone of hostilities, their industrial condition has been strengthened substantially since 1914 by additional facilities for the extra war traffic they were called upon to handle, by their increase in population and the expansion of business. Lyons ranks next to Paris as a center of finance, trade and manufacturing. Her chief manufactures are of silk, and in the production of these articles she leads the world. Her population has increased from 523,796 to over 600,000 in 1918.

Marseilles, the leading maritime city of the Mediterranean, is one of the greatest natural seaports of the world and is the southern terminus of the largest railway system in France. The population has grown from 550,619 in 1912 to about 750,000 in 1918. Bordeaux is the principal Atlantic port, and has one of the three finest harbors in France. It is the European terminus of many lines trading with the Americas, Africa and the British Isles. Shipbuilding is the chief industry. The

population has grown from 261,678 in 1912 to about 305,000 in 1918.

At the prices at which these bonds can now be purchased, the investor is assured of a yield of more than 8%. With the price where it now is and the way in which the bond market is moving upwards, for those who are desirous of picking up bonds that will advance in the near future, there seems to be every indication that these securities hold forth such an opportunity.

City of Berne, Switzerland

With the Swiss franc, recently breaking through its normal parity, proving that Switzerland has now regained her former economic position, those desiring an investment which can be considered conservative by even the most critical, will find such a bond in the City of Berne 25-year 8% sinking fund gold bonds. An annual sinking fund, sufficient to retire each year for the first five years, 2%; for the next ten years, 4%; and for the remaining ten years, 5% of the original issue of $6,000,000 is in operation. For the first five years, bonds are to be purchased in the market up to 107 and to the extent that bonds cannot be so purchased, such balance of bonds is to be drawn by lot at 107, two months prior to November 1, 1925, for payment on that date. Thereafter bonds are to be drawn by lot annually at 107.

Photo Brown Bros.

GENERAL VIEW, CITY OF BERNE, SWITZERLAND

Berne, the capital of the Swiss Canton of the same name, and the capital of the Swiss Confederation, is one of the four largest cities of Switzerland. The population has increased from 86,000 in 1910 to 110,000 in 1919. The city has steadily gained in importance as the seat of Federal Government and of various international associations, such as postal telegraph, railways, etc.

The total value of the taxable property of the city is about $229,000,000, and the taxable income of its population about $23,700,000. The total debt of the city is approximately $18,900,000, of which amount about $3,570,000 is floating debt. It is readily seen, then, that the value of the city-owned property is greatly in excess of its total debt. The credit of the city has always been high, as is evidenced by its ability to dispose of 3½% and 4% loans prior to the war.

Although no profit in principal is available to the investor at present prices, he who is looking for an income of over 7%, plus safety of principal, would do well in placing part of his funds in these bonds.

Copenhagen 5½s

Here, too, is a bond that at its present price might be said to be cheap. There is now a possibility of obtaining a profit on principal of $115, together with a yield of more than 6.50%. Copenhagen, Denmark, boasts a proud financial record, and never in her history has any default taken place. These bonds are due July 1, 1944, and commencing July 1, 1925, yearly payments of $750,000, in United States gold coin, will redeem at par part of the issue.

The market prospect for the immediate future of foreign and municipal bonds will undoubtedly follow the trend of money rates. This trend for the past few months has been downward and has resulted in the great activity that has been displayed in the bond market during that period. It has also been the cause of the advance in bond prices.

Foreign municipal bonds are among the highest grade securities in the market and as many of them carry high rates of interest it is quite likely, provided money rates continue to get easier, that the prices of these bonds will advance further.

Rio De Janeiro 8s

Among the most attractive bonds appearing on the list are the City of Rio de Janeiro 8's due 1946, the City of Christiania 8's due 1921-30 and the City of Zurich 8's due 1945. All of these bonds are the obligations of municipalities that have a high credit rating and they should respond quickly to any further advance in the bond market.

Zurich 8s

Zurich 8's are selling at 108½, Rio de Janeiro 8's at 100½ and the City of Christiania 8's at 106½.

One of the advantages that these bonds enjoy is that their distribution throughout the United States has been particularly broad. They have been sold in every section of the country and in practically all cases have been put away for long term investments.

Summary

Of the twelve issues listed in Table II, there are none which an investor need be afraid to buy. Each issue is representative of a community whose national government has been recognized for its ability to manage its financial matters efficiently, to build up its foreign trade and to keep its place among the leading nations of the world.

TABLE II.—FOREIGN MUNICIPAL BONDS LISTED ON NEW YORK STOCK EXCHANGE.

Name	Issued	Interest Dates	Maturity	High 1921	Low 1921	Amount	Present price approx.	Yield	Amt. of bonds dealt in during 1921
City of Bergen, Norway, 8s	11/10/20	May-Nov.	Nov. 1, 1945	107	93¼	$4,000,000	107	7.35%	$12,114,000
City of Berne, Norway, 8s	11/ 1/20	May-Nov.	Nov. 1, 1945	108⅝	92⅞	6,000,000	107½	7.32%	23,056,000
City of Bordeaux, France, 6s	11/ 1/19	May-Nov.	Nov. 1, 1934	90¾	74	15,000,000	83¾	8.15%	1,320,000
City of Christiania 8s	Oct. 1920	April-Oct.	Oct. 1, 1945	108½	94¾	5,000,000	107	7.35%	1,796,000
City of Copenhagen 5½s	7/ 1/19	Jan.-July	July 1, 1944	90	72	15,000,000	88½	6.50%	5,566,000
Dan. Cons. Municipal 8s Series "A"	2/ 1/21	Feb.-Aug.	Feb. 1, 1946	108½	85½	7,000,000	106	7.47%	3,618,000
Danish Cons. Municipal 8s Series "B"	2/ 1/21	Feb.-Aug.	Feb. 1, 1946	108½	95½	8,000,000	106	7.47%	3,621,000
City of Lyons 6s	11/ 1/19	May-Nov.	Nov. 1, 1934	90⅝	74½	15,000,000	84	8.07%	1,563,000
City of Marseilles 6s	11/ 1/19	May-Nov.	Nov. 1, 1934	90⅝	74½	15,000,000	84	8.07%	1,481,000
City of Rio de Janeiro 8s	Oct. 1921	April-Oct.	1946	102⅜	97⅜	12,000,000	101½	7.85%	3,673,000
City of Tokio 5s	Feb. 1912	Mar.-Sept.	Sept. 1, 1932	66	43	9,720,000	68	7.91%	761,000
City of Zurich 8s	10/15/20	April-Oct.	Oct. 15, 1945	108½	94	6,000,000	108	7.76%	2,017,000

London Recovering Lost Prestige

Again Becomes Chief Factor in Foreign Financing

DESPITE the fact that there was sold in the United States during 1921 a total of $312,000,000 in foreign bonds, an analysis of Great Britain's financing during the past few years shows that London is still the great international market for capital. It is true that much of the business which in the past has gone to London came to the United States last year; but it is significant that England has taken certain measures recently which indicates that from now on she will be an important competitor with bankers in this country for foreign business.

In the past six weeks London has loaned Chile £1,500,000 and she also advanced to Brazil £5,000,000. The latter loan was really a credit established for the Government of Brazil and was secured by 4,000,000 pounds of coffee. **The particular significance of these two loans lies in the fact that they probably inaugurate Great Britain's return to the foreign government financing field.** The table shown on this page gives an idea of the type of government financing that Great Britain did last year. It has chiefly been in the interest of the British Colonies. With very few exceptions, practically all the government external bonds issued last year were sold in the United States. Notwithstanding the fact, however, that practically all of London's financing last year was for her colonies, yet the total of the loans listed on this page is, at par of exchange, greater than the total of the foreign government financing done in the United States last year. Great Britain's foreign financing in 1921 amounted to $370,000,000, whereas ours was about $312,000,000.

BRITISH FOREIGN FINANCING IN 1921

Australia 6% Registered Stock	1931-41	£5,000,000
Australia 6% Registered Stock	1931-41	5,000,000
Brazil-Sao Paulo 8% Bonds	1936	2,000,000
British East Africa 6%	1956	5,000,000
Ceylon 6% Inscribed Stock	1936-51	3,000,000
Ceylon 6% Inscribed Stock	1936-51	3,000,000
Chile Trans-Andean 8% Bonds	Drawings	825,000
China 10-Year 8% Bonds	1931	1,000,000
Denmark Iceland 7% Bonds	1922-52	500,000
India 7% Sterling Loan	1926-31	7,500,000
New South Wales 6% Stock	1930-40	3,000,000
New Zealand-Auckland 6½% Bonds	1942	500,000
New Zealand 6% Inscribed Stock	1936-51	5,000,000
New Zealand-Southland 6% Debentures	1936-54	750,000
Nigeria 6% Inscribed Stock	1936	3,000,000
Norway 6% Sterling Loan	1924-61	4,000,000
Peru 5% Northwestern Ry. Bonds	1946	720,620
So. Australia 6½% Registered Stock	1930-40	3,000,000
Sudan 5½%	1929-59	2,880,000
Tasmania 6½% Registered Stock	1930-40	2,000,000
Union of So. Africa 6% Cons. Stock	1930-40	5,000,000
Union of So. Africa 6% Cons. Stock	1930-40	6,000,000
Victoria, Australia	Drawings	2,500,000
Western Australia 6% Loan	1930-40	3,000,000

British Investment Power

In the first nine months of 1921 public subscriptions to stocks and bonds in Great Britain amounted to £149,888,000. Of this amount over one-half, or £76,959,000 was invested in colonial and foreign securities, which included not only government securities, but also the issues of private corporations. This was over twice the amount that the British public invested in the same class of securities in the corresponding period of 1920.

The following table shows the investment of capital in Great Britain for the first nine months of 1920 and the corresponding period of 1921:

	9 mos. 1920	9 mos. 1921
United Kingdom	£278,585,000	£72,929,000
Colonial and foreign	35,989,000	76,959,000
Total	£314,574,000	£149,888,000

The large total shown for the United Kingdom for 1920 represents unusual requirements in England. **The significance of the figures given above is that Great Britain is increasing its investments in colonial and foreign securities.** It is of further importance to remember that the above figures do not include British Government issues, and that investors in Great Britain are taxed 30% on interest and dividends.

Prior to the war, British foreign investments ran at about the average given in the table below for over ten years. This table shows the amount of capital subscribed in the years 1911, 1912 and 1913 and the destination of such capital:

	1911	1912	1913
U. S.	£26,145,900	£45,335,300	£35,951,200
Colonies	64,994,800	72,642,400	76,137,200
Foreign	100,618,700	92,872,300	84,449,000
	£191,759,400	£210,850,000	£196,537,400

Investing Power Enhanced

Probably the most conclusive evidence that the investment power of Great Britain has not suffered from the war, but has, in fact, been materially enhanced, lies in the figures of public subscriptions for securities during 1919 and 1920. In 1919 there was over £1,000,000,000 of new securities sold in Great Britain and of this amount about £800,000,000 was for the British Government. In 1920, the amount of new capital furnished was £367,500,000, of which about £37,500,000 was for the British Government. This leaves £211,000,000 in 1919 and £300,000,000 in 1920 that were subscribed by the British public for other than government requirements. The amount subscribed in 1920 was over £100,000,000 more than had ever been raised in a single year before.

Practically all this capital was raised for home industries. Notwithstanding this, it shows that the British public still has the ability to furnish capital and as the post-war requirements of the home industries become satisfied, this capital will, as in the past, seek an outlet in foreign fields. It is interesting to recall that in 1919 the British public bought only £1,700,000 of foreign government securities and in 1920 it purchased no foreign government securities. The figures for 1921, therefore, in which are shown loans floated for Sao Paulo, Brazil; Chile, China, Denmark, Norway and Peru, amounting to nearly £9,000,000, are particularly significant.

British Trade and Finance

Notwithstanding the fact that Great Britain in 1919 and 1920 invested practically no capital in foreign government securities, yet the British public in 1920 put £21,000,000 into foreign industries, nearly £14,000,000 of which was invested in oil companies. About the same amount was invested in foreign industries in 1919. The British investor has always placed his money where it will do the most good for the promotion of British trade.

That the British Government itself is awake to the importance of foreign investments and that it is taking steps to develop such investments, in order to promote British trade, is witnessed by the new Trade Facilities Bill, providing that the British Government may guarantee principal and interest of bonds issued by any colonial or foreign government to finance the purchase of materials and supplies in Great Britain. Albert W. Kimber, an authority on foreign government financing, in writing of this Act, states:

"This is a startling innovation in government financing, and a radical departure from traditional British policy. Hitherto, any one whose credit was good could get credit in London; the credit once obtained he could use it as he chose. Borrowers in France must spend in France, no credit in Germany unless German goods were bought, but the British kept an open market. They were satisfied with the benefits that inured to British trade from London's position as the world's financial center.

"But the British have new burdens to bear, and the problem of unemployment, in particular, has made them question the use of British capital to promote other than British trade. The last straw was the action of South Africa, which last month sold £5,000,000 consolidated stock in London, then ordered 36 grain elevators in New York. A new policy has been adopted. Hereafter the floating of British loans for colonies or foreign countries will involve maximum immediate orders for goods of British manufacture."

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Money, Banking and Business

Is Forced Liquidation Ended?

Prices Almost Stabilized—Reduction of Surplus Stocks—Healthier Credit Situation

By W. H. STEINER, Ph. D.

Assistant Director, Division of Analysis and Research, Federal Reserve Board, New York

MUCH has been heard during the past two years or so of "forced" liquidation, but the term has been rather vague and illy defined. Liquidation itself means nothing more or less than paying one's debts when due. Add to this the idea of finding the particular moment inopportune, and of being unable to extend the time for payment. When this is done, the essentials of forced liquidation are present. Actually, little force from the outside is applied, in the ordinary sense of the term, but force of circumstances—a totally impersonal factor—is implied. Particularly is this force of circumstances felt with respect to the conditions surrounding the individual's business. It operates in a variety of ways, prominent among which is the forced disposal of goods at a sacrifice in price. While it is by no means simple, yet it must be considered in order to obtain a clear understanding of the entire problem. It will accordingly be taken up before passing to the present situation.

The problems of the business man have been symbolized in the recent fall of commodity prices. From a wholesale price peak of 264 in May, 1920, as shown in the table, has come a drop to 139, in June, 1921, a decrease of 47% in the short space of a year. Some commodities have suffered a greater drop, others a lesser, but the index number serves to indicate the average readjustment in values which the business man has had to face. To take a few concrete cases, middling cotton fell from 41.44 cents per pound in April, 1920, to 11.01 cents in June, 1921; and Ohio ¼—⅜ grades wool from $1.2364 per pound in January—March, 1920, to $.4727 in August—October, 1921. Heavy native packer hides fell from 40.25 cents in February, 1920, to 10.13 cents in April, 1921; rubber from 52.25 cents in January, 1920, to 14.50 cents in June, 1921, and sugar from 22.47 cents in May, 1920, to 5.17 cents in November, 1921. These changes in the prices of raw materials served to unsettle the markets for the finished products, and to cause great changes in their prices also. They served likewise to cause hesitancy on the part of buyers, and to confine business largely to a spot basis.

Caught in a Falling Market

The situation was further complicated by the fact that the peak in the case of certain articles came as the climax of a period of rapidly rising prices. These prices reflected acute scarcity, and inability to obtain goods and so in their anxiety to be sure of future supplies, various buyers entered into commitments for supplies at what they believed were reasonable prices. Many firms in thus endeavoring to exercise caution and display foresight, were caught on a falling market with heavy stocks of goods accumulated at high prices. This situation was repeated to a greater or lesser extent in a wide variety of lines, and over a considerable period of time. It was found earlier in silk as well as later in sugar, and was equally disastrous in both cases.

At the same time, these firms were required to meet financial obligations which recognized no change in price levels. In proportion as they had misjudged market conditions, their difficulties increased. In the more flagrant and hopelessly tied up cases, distress merchandise stocks and creditor's committees made their appearance, and the banks were compelled to go temporarily into the business of merchandising in order to realize on the supplies of those borrowers who were hopelessly involved. It was necessary, however, in handling these frozen credits to exercise caution and to liquidate stock without too great effect upon prices. In other cases, it was possible merely to oversee the operations of their debtors, keeping in touch with the process of liquidation, and requiring that the proceeds be applied to the reduction of existing indebtedness. The extent to which it was necessary for a corporation to put its house in order was reflected in its annual report, and in the net profit or loss shown for the year. This is true to some extent of 1920, but more especially of 1921, and the largest corporations have by no means been immune.

Failures

Some testimony as to the situation is also afforded by the record of failures in 1920 and 1921. Considering also 1919 for purposes of comparison, the low point both in number and value was reached in July of that year, when according to R. G. Dun & Co., 452 firms failed, with liabilities of $5,507,000. The peak with respect to both number and liabilities was reached in December, 1921, with 2,444 failures, aggregating $87,500,000. The total number and liability of failures in 1921 were 19,652 and $627,400,000 respectively; in 1920, 8,881 and $295,100,000, and in 1919, 6,451 and $113,300,000. The 1921 figure for liabilities has been swelled by an unusual number of large failures.

TREND IN INDUSTRY AND BANKING

High		Low		Latest	
Wholesale Prices (Federal Reserve Board)					
May, 1920	264	June, 1921	139	November, 1921	140
Index of Manufacturing Production (Federal Reserve Board)					
March, 1920	110.4	February, 1921	77.4	November, 1921	89.2
Total Bills Held By Federal Reserve Banks					
November 5, 1920	$2,826,825,000			January 11, 1922	$1,074,248,000
Total Loans and Investments of Reporting Member Banks.					
October 15, 1921	$17,283,906,000	Sept. 7, 1921	$14,729,728,000	January 4, 1922	$14,771,140,000

From a banking point of view, the period was one of curtailment or cancellation of surplus credit as the volume of business decreased. This curtailment however did not occur until much later than the turn in prices, the volume of total bills held by Federal Reserve Banks, as seen in the table, reaching a peak on November 5, 1920, and the volume of loans and investments of selected member banks reporting to the Federal Reserve Board on October 15, 1920. Compared with the 47% decrease in prices, the total drop to January, 1922, amounted to 62% and 15% respectively.

Present Situation

This brings us face to face with the present situation. What has the year 1922 in store? Will liquidation continue as in the past? In answering these questions, the change in the trend of business should first be cited. **Instead of continuing on the downward grade, business lifted its head during the last half of 1921 in spite of a slight industrial recession at the close of the**

(Continued on page 495)

About Banks and Banking

How to Analyze Your Bank's Statements — The Value of Bank Stock — Reader's Inquiry on Raising Capital

THE investor who has been wading through, or wallowing in, the annual reports of some other type corporations, may turn to the annual, or semi-annual or monthly statement of the bank in which he is interested with emotions akin to relief. For bank statements, assuming a little preliminary knowledge, are easy to understand.

One bank, in fact—the Corn Exchange Bank—has devised a form of statement which makes even preliminary knowledge unnecessary. In a document that is positively unique in financial annals, this institution presents the facts concerning its condition in a form that must be understandable to all.

It is of interest to scan the latest statement of this latter institution. In full, except for the pennies, as it was prepared by the Corn Exchange Bank and showing its condition on January 16, 1922, the statement follows:

The Bank Owes to Depositors	$209,170,154
A conservative banker always has this indebtedness in mind, and he arranges his assets so as to be able to meet any request for payment.	
For This Purpose We Have:	
(1) Cash	$ 33,029,684
(Gold, Bank Notes and Specie) and with legal depositories returnable on demand.	
(2) Checks on Other Banks	24,390,053
Payable in one day.	
(3) U. S. Government Securities	65,670,255
(4) Loans to Individuals and Corporations	34,346,813
Payable when we ask for them, secured by collateral of greater value than the loans.	
(5) Bonds	22,167,066
Of railroads and other corporations of first quality and easily salable.	
(6) Loans	42,531,026
Payable in less than three months on the average, largely secured by collateral.	
(7) Bonds and Mortgages and Real Estate	1,000,749
(8) Twenty-six Banking Houses	4,012,686
All located in New York City.	
Total to Meet Indebtedness	$227,148,332
This Leaves a Surplus of	$ 17,978,128
Which becomes the property of the Stockholders after the debt to the depositors are paid and is a guarantee fund upon which we solicit new deposits and retain those which have been lodged with us for many years.	

Other Reports Not Intricate

It should not be supposed that the reports of other institutions are much more difficult to "read" despite the fact that they do not marshal their facts in quite so simple a fashion nor interpret each one of them.

For example, it will be found of interest to compare the last statement filed by the Guaranty Trust Company with that of the Corn Exchange. This statement is attached. It will be seen that, in both cases, the "Cash" item is listed first. The Guaranty, however, includes in this item amounts "due from Banks and Bankers" which, assumedly, represent the "Checks on Other Banks" listed separately by the Corn Exchange.

"U. S. Government Securities" held by the Corn Exchange correspond with the similar item in the Guaranty's statement. "Loans to Individuals and Corporations" correspond with "Loans and Bills Purchased," which generally include call loans and time money. The bonds listed as held in Item (5) of the Corn Exchange correspond with "Public Securities" held by the Guaranty.

Guaranty Trust which may be looked to as the best indices of the institution's welfare.

Probably the chief item will be the "deposit" item. After all, the basic function of a bank is the safekeeping of moneys deposited with it; furthermore, the bank's commercial activities and potentialities will fluctuate in direct ratio with its deposits. Hence, it may be said that the best single item to look for in the statement, and to compare with the corresponding figure of the preceding statement, is the deposit item.

It is interesting to note the trend in the deposits of the two banks under review. For example, as of December 31, 1920, the deposits with the Guaranty Trust Co. amounted to 637-millions of dollars. On November 15th, last, they amounted to only 425-millions. By December 31st, they had recovered to 470-millions.

GUARANTY TRUST CO. OF NEW YORK
Condensed Statement, December 31, 1921

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers	$141,209,008	Capital	$25,000,000
U. S. Government Bonds and Securities	28,097,671	Surplus Funds	15,000,000
Public Securities	31,080,046	Undivided Profits	2,255,899
Other Securities	22,558,893		$42,255,899
Loans and Bills Purchased	296,525,218	Accrued Interest Payable and Reserves for Taxes and Expenses, and Other Liabilities	16,640,999
Real Estate Bonds and Mortgages	2,668,397	Acceptances—New York Office	15,989,827
Foreign Exchange	7,725,224	Foreign Offices	8,018,465
Credits Granted on Acceptances	24,008,292	Outstanding Dividend Checks	589,349
Real Estate	8,557,780	Outstanding Treasurer's Checks	23,889,740
Accrued Interest and Accounts Receivable	15,879,235	Deposits	470,916,980
	$578,309,758		$578,309,758

There are, of course, some points of difference between the two statements. For example, the Guaranty lists four items, viz., "Foreign Exchange," "Credits Granted on Acceptances," "Accrued Interest, Etc.," and "Public Securities," which the Corn Exchange does not list. However, variations such as this are natural, since one institution may be engaged in somewhat different lines than another. Furthermore, no great difficulty should be encountered in analyzing the new items. Thus, "Foreign Exchange" represents foreign credits purchased by the institution during the periods under review. "Credits Granted on Acceptances," obviously, reflects the amount of paper of this sort handled by the bank. "Accrued interest" represents interest on money invested, plus charges for various services rendered. "Public Securities" is, perhaps, a somewhat vague grouping, but would probably include investments of a more or less general nature.

The Progress of the Bank

It has been said that bank statements are comparatively easy to understand. In the same way, by comparing the statements issued by the same institution over a period of time, the progress of that institution during that time may be easily determined.

There are certain items which appear in all such statements as that of the

Deposits with the Corn Exchange have expanded rapidly in recent months. On April 1, 1920, this bank had 184-millions, approximately, in the form of deposits. The current statement shows that deposits have increased to the surprising total of 209-millions.

Of practically equal significance are the items "Surplus and Undivided Profits," which may be said to truly reflect the earnings of the institution under review, and which certainly represents the stockholders' equity in the event of liquidation. The Guaranty's surplus and undivided profits on December 31, 1920, amounted to 37-millions. Last December 31 it amounted to 17-millions, or a reduction of 20-millions.

It is also worth while to consider fluctuations in the loan item, bearing in mind fluctuations in deposits. It is apparent that it will be to the best interests of a banking institution to maintain a fairly even ratio between the two.

The Value of a Bank Stock

For reasons, the closest estimate of the real value of a bank stock is be-

lieved to be its "book value." Those reasons are set forth particularly well in Putnam's Investment Handbook, as follows:

"The term 'book value' can be applied with considerable accuracy to bank stocks. Book value means par value plus surplus and undivided profit, or minus deficit. If a bank has a capital of $100,000 with shares of $100 par value, and also a surplus of $50,000 and undivided profits of $10,000, it is easy to figure the book value at $160. On the other hand, if the capital is impaired to the extent of $20,000, the book value would be $80 a share.

"Book value means very little in the case of a manufacturing company, but it may mean a great deal in the case of a bank, a mine, or an oil well. The book value of a steel plant may be anything. A steel plant is good only as a going, earning concern, and its earnings depend upon a thousand and one factors.

"Now a bank, a mine, or an oil well is naturally more valuable as a going concern than otherwise. Yet it is much easier to liquidate the stock than with a manufacturing company. A bank's resources are liquid, or should be. It is possible at any given moment to say just what would be left if all depositors were paid off, all loans called in and all investments liquidated. A mining company has a certain amount of ore on hand. It can suspend operations and yet may, in some cases, sell the ore, pay off its debts and still leave much for the stock. The same general principle applies to many oil companies. But it does not apply to either 'industrials' or the public group of companies, such as railroads and utilities.

"These characteristics give bank stocks a certain simplicity which many other investments lack. A bank statement affords the investor a better means of analyzing the value of his investment than do the reports of most other classes of corporations."

Book value of the Guaranty Trust Company's shares, based on the December 31st reckoning, amounted to $169 per share.

Earnings Per Share

What the stockholder in a banking institution wants to know, of course, is primarily the institution's earnings per share. This figure is quickly determined from comparing book values for the period under review, taking also into account dividends paid per share.

For example, the Bankers Trust Co. in the year from November 15, 1920, to November 15, 1921, increased its book value from $192 to $202 per share, or an aggregate of 4%. In the period, the company paid dividends of 20%. Therefore, it may be said to have earned the sum of 24% on its capital.

According to the same procedure, the Guaranty Trust Company lost considerably during the period from December 31, 1920, to December 31, last. However, it would be fairer to review the progress of this institution since the time when book-value was "written down" last summer to about 164. In that period, the Guaranty's book value has advanced to 169. Thus, the Guaranty Trust, during the period, may be said to have earned 5% on its capital, plus the dividends paid.

Guaranty Trust stock, incidentally, is disbursing, at current rates, $12 per share per annum. The stock sells in the neighborhood of 210, at which price the yield is approximately 5.7%.

About New Capital

The following inquiry has been received:

Bank Editor, THE MAGAZINE OF WALL STREET:

Sir—In your last issue under "About Banks and Banking" you invite inquiries about the raising of new capital. Will you please advise me on the following proposition?

Father and son, partnership. Established and going business. On basis of worth five years ago made 70% this year, including partners' salaries. Net worth of business at present almost $100,000, which does not include good will, patents, etc. Based on past records, profits will multiply at least seven times in the next five years.

We want to raise $400,000 to expand in a perfectly sensible way. Of course, we want to retain control if possible. Suppose we will have to incorporate. Could easily repay 10% in 5 years, and gradually more each year to finish all payments in 9th year. Of course, if cost was not high, could pay faster if desired.

If you will please advise me fully, I will surely appreciate it. Want to know the best plan for us, to whom we should apply, cost, etc. We are banking with a very good small town bank. Capital $100,000. L. C. G.

An obstacle which may handicap you at the start in your effort to obtain new capital is the fact that your business is in the form of a partnership. It would, we think, be wise for you to incorporate.

Assuming you did incorporate, your best course, probably, would be to sell shares. This we believe you might best do locally, or through houses located in New Orleans or Shreveport. You might, we should think, be able to obtain about half the sum you require in this way, and the remainder through bank loans.

We are not in a position to advise you regarding the cost of such financing, although it is highly improbable that it would amount to more than 20% of the sum sought, if that much. We believe it would be to your best interests to secure the advice of your banker; also for you to communicate with one of the several firms specializing in financing of enterprises—for example, the Corporation Maintenance and Service Co., having a branch in Wilmington, Delaware.

Many Other Inquiries

This department has received many other inquiries similar to the above and relating to a sentence appearing in the January 7th issue, "if this department can be of any service in connection with advice concerning methods of producing funds for new enterprises of substantial character, it will be glad to serve." Space does not permit publication of these inquiries and replies made.

Should Bonds Be Registered?

Bank Editor, The Magazine of Wall Street:

Sir—I am an old subscriber to your Magazine and Trend Letter service and would like to have you advise me as to the best method of protecting bonds or stocks from theft, fire, etc.

I have recently bought $15,000 worth of bonds and $15,000 worth of the best preferred stocks. Should I have all these bonds registered, or are they safe enough in regular safe deposit box?

The bonds which I have bought have not been delivered yet and they are such bonds as American Smelting 1st 5s, etc. What I am afraid of is that if I get ordinary coupon bonds and deposit them in a deposit box, and for any reason the box were robbed, either by a bank employee or some outside party, I would not have any way of getting anything back. On the other hand, if the bonds were registered, would I not be at some disadvantage if I should wish to sell?

These bonds and preferred stocks represent a considerable portion of my whole investment funds, and I naturally want the highest degree of safety possible.—H. W. P.

By all means have your securities registered in your own name. Should you ever wish to sell them, you could do so through a brokerage house without much trouble.

ACTIVE BANK STOCKS

	Jan. 16	Jan. 25
American Exchange National	247—253	250—256
Chase National	283—288	285—290
Chatham & Phenix	220—230*	216—220
Chatham & Phenix rights	....	....
Chemical National	515—530	520—530
First National	920—940	925—935
Hanover	820—835	820—830
Irving National	193—197	193—197
Mechanics & Metals	325—350	340—345
National City	320—340	320—325
National Park	402—410	400—406
Seaboard	255 Bid	270—290

*Ex-rights

How to Identify a Bucket Shop

Some Earmarks of the Breed—What They Signify

By **RICHARD D. WYCKOFF**

RECENTLY the Street was called upon to witness the demise of E. D. Dier & Co., who owed the public $4,000,000. That is only one of many bucket shops which have failed or retired from business since THE MAGAZINE OF WALL STREET started its anti-bucket shop campaign, for these articles are now being reprinted in many newspapers and periodicals throughout the country. People who formerly never took the trouble to inquire whether they were dealing with honest-to-God brokers or not are now very curious about the matter. As a result some twenty or thirty more of the leading bucket shops are reported to be on the verge of failure, and there are strong rumors about some of the biggest of them. The investment public now has its eyes open and frantic efforts are being made to extract whatever equities or securities remain in the hands of these questionable concerns. The situation is a good deal like simultaneous "runs" on a lot of banks, only in this situation both clients and "brokers" are on the run.

Each day little knots of sad-eyed clients and employes of Dier & Co., E. W. Wagner, and others gather around the scenes of their former activities. We are truly sorry for these people, but the fact is that if concerns like Dier & Co. had not failed the clients would have been no better off, because the practice of such houses is not to let the client get away with anything.

If investors could only learn to take all their precautions *before* they open an account with a house, there would be fewer fatalities.

The best plan for a small investor, with only a few hundred dollars to invest outright, is to place the order with his own bank; because the bank knows enough to deal with good houses and after purchases are made will usually take care of the certificates for the buyer. After he has learned his way around some of the highways and byways, and can deal in larger amounts, he can satisfy himself that his business is being placed in the right hands before he parts with his money, and then deal direct.

As an indication of the methods employed by E. D. Dier & Co., I have before me a statement of the account of one of their clients covering his transactions up to November 30th last, which shows a debit balance of $8,400 against 300 Sinclair of which he was long. This stock was worth at that time something around $7,000. Anyone can see that if Sinclair had been closed out he would have owed the house $1,400, but they kept stringing the poor old man along trying to get more money out of him. He was already wiped out but they did not officially so advise him. He kept hoping that Sinclair would recover and let him out, but his money was gone, and more too.

Another account kept with them shows that about 1,000 shares of listed Stock Exchange securities and 2,600 shares of Curb stocks selling at a few dollars per share, were being carried on an equity of $3,300, equal to three and one-third points on a thousand shares, and no margin on the rest.

EARMARK NUMBER ONE: CARRYING ACCOUNTS ON VERY SMALL MARGINS. This is one of the ways in which bucketeers induce unsophisticated people to deal with them. Take Bill Smith 'way out West, who sees a circular advertised in which some low-priced Curb stock is mentioned. He is interested and wants more particulars. He gets them by early mail, and down in the corner is a little table which shows the "amount of margins required." He may have a few hundred dollars to invest, and the stock may be selling at about $3 a share on the Curb market. The margin required is one-third of the purchase price, so his $600 will carry 600 shares. He buys it all. He knows nothing about the fluctuations in the stock, or the way it is juggled around by the bucket shops, or what will happen in case it shrinks in market price. He just sends on his six hundred and purchases his block of stock. (Note: To some people a block is ten shares or more.)

The bucket shop has a lot of clients long of the same stock and as the house has not really bought the stock at all (or in case it has, the shares were immediately sold out), the shop is interested in seeing the price of that stock decline so it can wipe out Smith and fellow venturers. Smith does not know that "into the jaws of death rode the six hundred," but he is soon suspicious because he receives a wire requesting more margin. He hasn't any more, so he is "sold out." A few pencil marks on the broker's book and the thing is done.

There is a mistaken impression among the public that a broker who requires a liberal margin is selfish, exacting, arbitrary and unworthy of patronage, and that the small-margin broker is really his friend. I cannot imagine a greater fallacy. A broker who has his clients' interest at heart would never encourage them to trade without ample protection. Give me the firm who wants twenty or thirty points ($2,000 to $3,000 on 100 shares of stock selling at from $50 to $100 a share, rather than the firm that will accept five points, for the former not only wants to protect the client but itself as well). Just see how absurd it is for a house to buy and carry 100 shares costing, say, $10,000, with only $500 margin. If the firm really makes the purchase, it must issue its check for $10,000, and in order to finance the transaction, it can only borrow from its bank about $8,000 on this certificate, because the banks require 20% margin. The difference between what it can borrow and what the five-point margin traders puts up amounts to $1,500, which the broker must advance out of his own capital; hence 10,000 shares at that rate would mean $150,000 which the broker would have to supply. There might be a sudden break in the stock of seven or eight points, in which case if the broker could not get hold of the client quickly enough, the broker would have to sell out the stock at a loss of $700 or $800, which would wipe out the client's $500, and $200 or $300 of the broker's money. Believe me, legitimate brokers are not taking such chances for a mere commission for $15 per 100 shares, out of which they have to pay office rent, clerk hire, and other expenses. So, without further elaboration, we can see clearly earmark number one.

* * *

EARMARK NUMBER TWO: INTEREST RATES usually charged by bucket shops are seldom over 6% even in times when call money rates are 10% or 20%. The bucket shop does not borrow money because it has all its clients' money that it has not withdrawn from the business, lying around in banks or perhaps, as in the case of Dier & Co., some of it may have been put into mining or other enterprises for the firm's account. When the average cost of call and time money is running even as high as 8% or 9%, no real broker who is carrying millions of dollars in debit balances for his clients, can afford to charge 6% without exposing himself to the charge of bucket-shopping. New York Stock Exchange members are prohibited from charging less than their money costs, because that constitutes a rebate in commissions. When you are dealing with a house that charges a rate which is unwarrantably low, ask them where they borrow their money and whether you are free to write or call at their bank for the purpose of inquiring what rates they are paying for the money they are borrowing. In such cases you would probably find that they are not borrowing any. Your contemplated visit to the bank may be forestalled by a request for you to call to see one of the firm. He will probably tell you that they have such a large amount of their own capital in their banks that they do not need to borrow any money. This is probably true in a way, because the bucket shop never gives up anything until it has to, and in a large measure whatever comes in is, or will be sooner or later, the firm's own capital.

There was once a swindling game known as E. S. Dean & Co. which did business along in the '90's, in which they had a very simple rule for taking care of their finances. The rule was that whoever got down to the office first in the morning got most of the money; and so the members of the gang vied with each other in retiring early. This is also the rule in many bucket shops. They leave enough money in the bank to warrant the institution in saying to the Commercial Agency reporter, "Their bank balance is very satisfactory." (It is, to the bank.) And that gives them a certain commercial rating. No one asks, and if he did he

could not find out, whether this money really belongs to them *yet*, if I may use the term, and that is as far as such investigations usually go. However, I have said enough to indicate that the low and invariable interest charge, even in a high and fluctuating money market, is another means of distinguishing whether you are in the process of being fleeced.

* * *

EARMARK NUMBER THREE: THE LONG DISTANCE CALL. We have described this feature in previous chapters. Legitimate brokers rarely use this method of getting in touch with a new client. Certainly not without some preliminary overtures and a little encouragement; but the bucket shop can find no better way of keeping its lying statements under cover; sizing up the prospect; filling him full of "dope" by working on his cupidity. The bucket shop's motto is, "Don't write—telephone; it's quicker and safer." So, when you receive the message, "New York is calling," just tell your operator that you have left for a trip around the world, and thus avoid being goldbricked by the frantic appeal of the hurry-up man at the other end, who is so anxious to put you into a pool with John D. Rockefeller.

* * *

EARMARK NUMBER FOUR: THE PET STOCK OF THE HOUSE, I refer to that particular mining or oil security "with which the house is identified." ("Why our Mr. Blank is a director," etc.) I was talking with a mining engineer today who told me that he had made a report on what has in recent years been one of the active Curb mining stocks. He was engaged to make this report by one of the leading Curb houses. His investigation showed that the stock, which was then selling at dollars per share, was intrinsically worth only a fraction of a cent per share, but the firm went merrily on, putting its people long of this stock, and even now is boosting it regardless of all that has happened. This firm advertises widely, generally in the best class of newspapers and periodicals. It has thousands of clients on its books. How many millions it has made out of this one stock, I do not know.

The method is first to get the confidence of the client by what appears to be a legitimate method of doing business and by advertising well known securities; and every now and then slip in a little of this stock. Nor is this the only issue of the kind used in this way by the same house. Such are the "mining operations" carried on in Wall Street among those who pretend respectability and responsibility. Activities at the mine are represented by the efforts of a few caretakers.

A good way to avoid being induced to go into such enterprises, is to make sure of the character of the management. If well-known and responsible operators or financiers are connected, you at least know that it is not a paper proposition put out for the benefit of the bucket shop which is busily engaged in parting you from your money.

* * *

EARMARK NUMBER FIVE: PUTTING YOU LONG AT A PRICE BELOW THE MARKET.—When anyone calls you up, writes or wires that he has bought you a hundred Studebaker at 88, and it is now selling at 89½, especially if he has no authority to do you this favor, you may be sure that he is, in his agreeable way, angling for your bank account. The right kind of brokers do not do business along those lines. They do not assume discretionary power over your account, nor do they request it. In fact, the great majority of legitimate brokers will never, under any circumstances, accept a discretionary order.

A view of the pretentious building erected by the erstwhile "brokerage" firm of E. D. Dier & Co., demised

We have already shown that the telephone and the discretionary account are the two principal means by which inexperienced investors and traders are "sent to the cleaners." Make this a rule: Never permit anyone to buy or sell a single share of stock for you at his discretion, unless you have dealt with that person for a number of years, know him intimately, and his actions in the past have justified your complete confidence. This is one simple way in which you can keep out of the clutches of bucket shops. But this is not the only way—so be on your guard.

In former years, Wall Street was infested by a class of men who made a specialty of securing discretionary accounts. They would put one such client long of a stock and another short at the same price. They knew that one or the other must make money, and as their arrangement called for a percentage of the profits, they made sure that one of them would make a profit so there would be a percentage for them. This particular trick has many phases, all of which can be guarded against by giving your own order directly to the broker who is doing his business along sound lines, and who, after investigation, is entitled to your confidence.

* * *

EARMARK NUMBER SIX: UNSATISFACTORY EXECUTION OF ORDERS.—A clerk formerly employed by a bucket shop which blew up about two years ago, told a friend of mine that whenever they received orders from out of town, either by mail, 'phone or telegraph, they made a practice of waiting until three o'clock before reporting the "execution" in order to "fill" the order at the highest price of the day. Steel common might be selling at 85 when a buying order arrived, but if, later in the session, it touched 86¼, the report would carry the latter price. Naturally, the clients were peeved because they always seemed to buy at the highest, and the firm's best efforts were exerted to see that they did, because that point or two, or even a fraction of a point, constituted a very large percentage of profit to the house during the course of a year and brought the customer's expiration point that much nearer.

No New York Stock Exchange house would follow such a reprehensible method in orders executed on the New York Stock Exchange, because this fact would soon come to light, could in many cases readily be proven, and besides would lay the firm open to blackmail by some of its employees. The bucket shops are frequently and regularly blackmailed by their clerks. That is one reason why many of them pay very high salaries—some $10,000, $20,000, or $30,000 a year—just to keep somebody's mouth shut.

Another phase of this practice is in the orders which bucket shops claim are overlooked or were previously cancelled, or about which there is some misunderstanding. There are hundreds of different ways by which they take advantage of clients, delaying orders in their execution, claiming that they could not execute them, or "thought they had better not because they were afraid there might be a loss," etc.

Some bucketeers work by the slow and easy process of gradually trimming a client who has sufficient income to keep him putting up margin, while others find out how much he has and then get it away from him all at once, if they can.

* * *

EARMARK NUMBER SEVEN: LOADING THEM UP AND KEEPING THEM LOADED.—

(*Continued on page* 509)

What is the Outlook for Cotton?

Improvement in Statistical Position—Higher Price Level Indicated

DISCOUNTING the effect of the anticipated Government report on cotton several months ago, which tentatively indicated a yield of 6,537,000 bales, the price of cotton rapidly rose from about 14 cents a pound to 22 cents. But when the cotton ginning report covering the situation prior to the middle of last November was issued, it became evident that the cotton crop of 1921 would exceed 8,000,000 bales. As a result of such an increase in the known supply of cotton, the price of cotton declined to about 17½ cents a pound later recovering to about 19 cents a pound and now being quoted at about 18½ cents. Despite the decline in prices since last November cotton is still about 50% higher than last August.

The above figures are given in order to show the profound effect which statistics exert on the prices of cotton which is true, of course, of any commodity. Therefore the outlook, primarily, is dependent on the statistical position of cotton, both present and that likely to exist in the coming months.

There are three factors to take into consideration. One is the situation in cotton with regard to the amount on hand, the second is the actual rate of consumption (including exports) and the probable rate, and the third is the general world-wide economic situation. The latter factor, of course, will be a direct influence on the second but should nevertheless be disassociated.

Stocks of Cotton

The accompanying chart does not give a cheering impression of the situation in cotton with regard to its present statistical position. It will be seen that since 1919 there has been a very great increase in the surplus. Thus at the end of 1919, the total amount held by consuming establishments and warehouses in this country amounted to 3,119,000 bales and at the end of 1921 to 6,919,000 bales. In other words there was an increase in the cotton surplus of practically 100% in the two-year period 1920-1921.

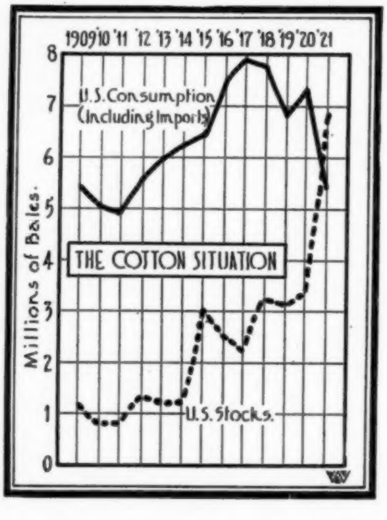
This tremendous increase in cotton stocks naturally exerted a profoundly depressing effect on prices and they showed a decline since early 1920 from about 40 cents a pound to 12 cents a pound a year ago. It was not until it became evident last summer that the 1921 crop would be exceedingly small that prices commenced to advance so that they are now about 18 cents a pound against the lowest price of 12 cents a pound last year.

While, as will be shown later, the demand for cotton is slowly increasing, which will have an inevitably favorable effect on the statistical position, it is nevertheless true that the existence of the large present stocks is bound to be an unsettling factor until they are largely removed.

Consumption

With the admittedly unfavorable situation which exists at present with regard to statistics as contrasted with the situation several years ago, it is important to turn to the question of the rate of consumption and the probable rate. There are two ways of viewing present conditions in this regard. One is to view them unfavorably in comparison with those existing during the war years and the other is to view them favorably on account of the now slowly increasing rate of consumption.

Both have to be taken into consideration. Certainly the current rate of consumption, including imports, is much below that of the war-years. However, it must be considered that cotton demand during that period was abnormally stimulated by conditions which are



not likely to materialize for another generation. On the other hand, the rate of domestic consumption in the past few months has shown unmistakable signs of improvement.

Thus the monthly rate of consumption is now about 500,000 bales against that of about 400,000 bales at the end of 1920. Certainly this much represents genuine improvement. At the same time active U. S. spindles are now about 34,500,000 against 33,700,000 spindles over a year ago. It will be seen that from these indications the rate of demand is increasing.

The export situation also comes up for consideration inasmuch as it is a dominant factor in the industry. Here there has been very definite improvement. The feature of 1921 exports were that the total was only about 450,000 bales below 1920 exports, which, considering the very low rate of exports in the early months of 1921, represents a very striking change in the situation with regard to world-demand for cotton.

Foreign shipments in 1921, added to American consumption, amounted to about 13,000,000 bales which was nearly 5,000,000 bales in excess of the United States production in that year. This means that nearly 5,000,000 bales more cotton was consumed or exported than was produced in 1921. In other words, the carry-over of American cotton has been reduced by nearly 5,000,000 bales. At the present rate of consumption and exports, the total amount of stocks on hand in this country will not exceed 4,000,000 bales at the most by next midsummer.

Assuming the same rate of American consumption and exports during the present year and the same amount of production, it is evident that in another year there would be no surplus left here at all. This, of course, depends entirely on the crop in 1922 which at this time of writing is a very nebulous affair to talk about. From an economic viewpoint, however, so far as the cotton planter is concerned, it is very much of a question whether conditions will warrant a large increase in cotton production this year so that it is almost a certainty, broadly, that the statistical position of cotton a year from now will be much better than that now obtaining.

Not only has the statistical position in America improved during 1921 but the world position improved considerably. Thus, in 1921, the two principal cotton-production nations, the United States and Egypt, both suffered crop disasters and these two nations together produced about 60% less cotton last year than they did the year before.

The Price Outlook

There are two outstanding features affecting the price outlook for cotton. One is the increase in world-wide demand which has already come into being and the second is the general prospect that world production of cotton will not increase materially at least this year. As surplus stocks are worked off and as the demand increases, the result must be reflected in the price of the commodity. It is not to be expected, of course, that the advance will be rapid. Very likely, prices will rise parallel with the slow but steady improvement in the statistical position.

Fundamentally, of course, the entire situation revolves around the economic conditions which are likely to obtain during the current year. It is already apparent from the increase in demand for cotton that conditions are gradually righting themselves. The English mills are more active than for a considerable period and the Orient is buying more heavily than at any time since 1919. Finally, the American demand has increased considerably and gives promise of so continuing.

Regarding the improved statistical position at large, and the better outlook there is only one conclusion—cotton will sell considerably higher within the year.

The Bond Market

Those New 8% Bonds

Why a Number of Them Offer Excellent Opportunities for Investment

***By* R. M. MASTERSON**

THE year 1921 will long be remembered by the financial world on account of two prime factors—high money rates, and the extraordinary demand for capital. Most industrial concerns, having expanded their plants and loaded up with raw materials during the boom period of 1919 and 1920, were caught high and dry when the almost precipitous drop, in practically all commodities, came about in the early part of 1921. Severe inventory shrinkages made it necessary for many companies to virtually throw themselves on the mercy of their bankers in order to obtain sufficient working capital to continue their businesses. Pressure by the banks and the outlook for a rather unprofitable year subsequently brought about the necessity of funding these bank loans and the burden was transferred to the investing public.

But the investing public is becoming more and more educated in financial matters from year to year, and investors needed some special inducements to persuade them to part with their surplus funds. Consequently interest rates were boosted and other attractive features were introduced in the way of security, protective provisions and sinking funds, designed to tempt the investor to untie his purse-strings.

Attractive Features

With the exception of a few of the larger and older companies, whose credit stands unusually high, a large part of the industrial financing of last year was done on an 8% basis. A number of these 8% securities were secured by first mortgages and in nearly every case especially attractive sinking funds were provided for. In many instances the sinking funds were so arranged that provision was made for the redemption of the entire issue before maturity at a price considerably above the original offering. Take the Goodyear Tire & Rubber Co. 20-year 1st mortgage 8s, for example. This mortgage provides that $750,000 principal amount of the bonds be drawn by lot, semi-annually, for redemption at 120 and interest; thus retiring the entire issue by maturity at this figure. As the bonds were originally offered for sale at 99 and interest, the yield ran from as high as 50½%, for those bonds that were called at the end of the first six months, to not less than 8½% for those that ran for the full twenty years.

Reasonably Late Investments

The majority of these 8% coupon bonds are today selling several points above their original subscription price, but even at present prices many very attractive purchases may be found. As a guide to investors interested in these 8% securities the accompanying list has been prepared. It is not intended to be exhaustive, but merely a record of some of the better class of 8% bonds that enjoy a ready market. The list does not attempt to include issues such as Columbia Graphophone 8s, Beaver Board 8s, Cuba Cane Sugar subordinated 8s, which are all highly speculative, nor such issues as Cerro de Pasco 8s, which are selling on their conversion basis and above their actual investment worth, nor extremely short term issues such as Copper Export 8s of 1923 and 1924. Few of

(*Continued on page* 498)

8% COUPON RATE BONDS

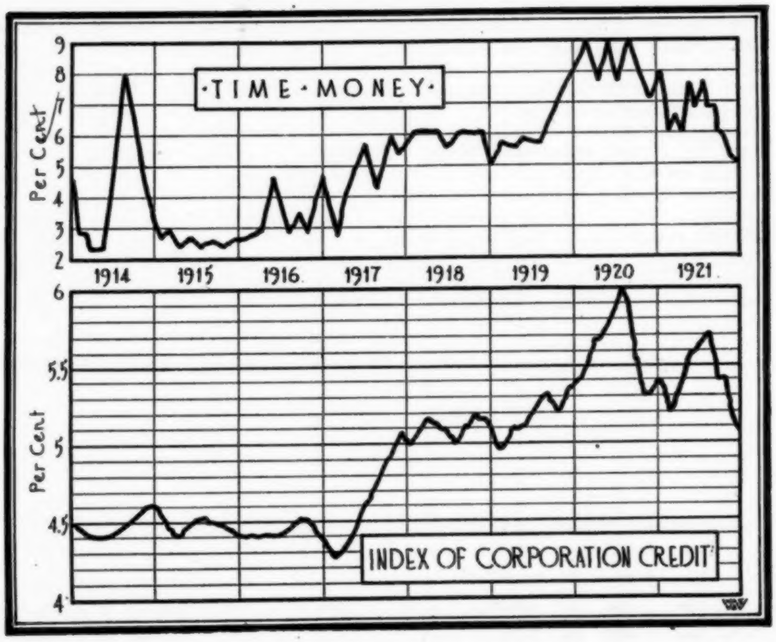
Name of Co.	Security	Maturity	Lowest Denomination	Redemption Price	Convertible into Common Stock	Location of Market	Approx. Price	Sinking Fund
Barnsdall Corpn.	S. F. Gold 8s	Jan. 1, 1931	$100	107½-101	@ 40	Curb	98⅛	25% of net income. Minimum $800,000 per annum.
Central Steel Co.	1st Mtg. S. F. 8s	Nov. 1, 1941	100	Non-callable	....	Curb	99¼	Sufficient to purchase all bonds at 107½.
Consolidated Textile Corpn.	1st Mtg. S. F. Con. 8s	June 1, 1941	100	110-100½	@ 35	Curb	97¾	Sufficient to purchase all bonds @ 105.
Cuban-Amer. Sugar Co.	1st Mtg. S. F. Coll. 8s	Mar. 15, 1931	500	107½	....	N. Y. Exg.	103¼	Sufficient to purchase all bonds @ 105.
Fisk Rubber Co.	1st Mtg. S. F. 8s	Sept. 1, 1941	500	*117½-112½	....	N. Y. Exg.	102½	Sufficient to purchase all bonds @ 110.
General Asphalt Co.	S. F. Conv. 8s	Dec. 1, 1930	100	105-101	@ par	Curb	104¼	$50,000 semi-annually.
Goodyear Tire & Rubber Co.	1st Mtg. S. F. 8s	May 1, 1941	100	120	....	N. Y. Exg.	112¼	All bonds will be redeemed by lot @ 120.
Goodyear Tire & Rubber Co.	Debenture 8s	May 1, 1931	100	110	....	N. Y. Exg.	99	Sufficient to purchase all bonds @ 110.
Invincible Oil Corpn.	Conv. S. F. 8s	Mar. 1, 1931	100	110	@ 30 to 39	N. Y. Exg.	90	Sufficient to purchase all bonds @ 110.
Kelly-Springfield Tire	S. F. 8% Notes	May 15, 1931	100	110	....	N. Y. Exg.	104½	All bonds will be redeemed by lot @ 110.
Mexican Petroleum Co., Ltd.	S. F. Conv. 8s	May 1, 1936	100	107½-101½	‡	N. Y. Exg.	101	Varying.
Natl. Cloak & Suit Co.	Conv. 8% S. F. Notes	Sept. 1, 1930	100	105	@ par	Curb	99½	90% of bonds to be redeemed by lot @ 105.
Natl. Leather Co.	8% Gold Notes	Nov. 15, 1925	100	103-101	....	Curb	96¼	
Otis Steel Co.	1st Mtg. 8s	Aug. 1, 1941	100	110-101	....	Curb	98¼	Sufficient to retire all bonds at redemption price.
Packard Motor Car Co.	8% Gold Bonds	Apr. 15, 1931	500	107½-105	....	N. Y. Exg.	99¼	Sufficient to purchase all bonds @ 105.
Pierce Oil Corpn.	S. F. Debenture 8s	Dec. 15, 1931	500	107½	....	N. Y. Exg.	100	Sufficient to purchase all bonds @ 107½.
Porto Rican Amer. Tob. Co.	8% Gold Bonds	May 15, 1931	500	107½-105	....	N. Y. Exg.	102	Sufficient to purchase 50% of bonds @ 105.
Sharon Steel Hoop Co.	1st Mtg. Ser. A 8s	Mar. 1, 1941	500	107½-	....	N. Y. Exg.	99	Sufficient to retire all bonds @ 107½.
Solvay & Cie.	8% Secured Gold Bonds	Oct. 1, 1927	100	107-101	....	Curb	103½	
Stewart Warner Speedometer Co.	8% Conv. Bonds	Mar. 1, 1926	500	105-101	@ 40	Curb	100⅛	
United Drug Co.	8% Conv. Gold Bonds	June 15, 1941	100	115	@ 110	N. Y. Exg.	106¼	5% of total issue annually to purchase bonds @ not over 115.

Have Bonds Discounted Lower Money Rates?

Highest Grade Bonds Now Sell Nearly on a Par with Money Rates But Many Individual Opportunities Still Remain

THE fundamental factors that control bond prices are money rates. As these rates advance, which is the situation in a boom period, bonds and other types of fixed income-bearing securities take the opposite direction. But after money rates have declined, which is the case in a period of crisis and depression, the tendency is for fixed income-bearing securities to advance.

In the past three years, we have seen a tremendous drop in the value of bonds owing to very high money rates, and, more recently, a very sharp advance in these securities owing to the comparatively low money rates which now obtain. No clearer illustration of the effect of high money rates on bonds has ever been witnessed than during the past few years.



The Present Situation

In the past year, money rates have come down to the present level of about 4¾% against a 7% level January, 1921. In the same period—though the advance did not commence until last midsummer—bonds have had a striking advance. According to the accompanying chart on the Index of Corporate Credit, representing the average price of ten railroad bonds of the very highest description, the yield on high-grade bonds has dropped from 6% to about 5%. In other words, the price of these bonds has risen about 15%.

It is clear, therefore, that the drop in money rates has had a very direct bearing on the advance in bond prices.

Money rates now average about 4¾%. High-grade bonds yield about 5%. It is evident that with these two figures nearly equal, high-grade bonds have practically discounted the more favorable conditions now existing in the money market. Unless there is a further drop in money rates, it is hardly likely that bonds which are now selling on a 5% yield basis will advance above the present levels.

The question is therefore: Will there be a further drop in money rates?

It must be admitted that the tendency, temporarily, is in that direction. On the other hand, with the level now 4¾% against 7% a year ago, it is evident that even if there is a drop in money rates, it is hardly likely to be a very important one. If money should get down to a 4-4¼% level within the next few months, that would be about the maximum that could reasonably be expected. A clear indication is thus afforded as to the probable course of bond prices in the next few months.

The Exceptions

On the other hand, there are a number of exceptions to the above forecast. Many individual bonds, particularly among the second- and third-grade bonds, have not yet discounted the altered character of the money market. Yields of 6% and 7% are by no means uncommon among this class of securities and it is in this class that most of the remaining bond opportunities will be found. It is reasonable to expect that high-grade bonds for the time being will remain more or less stationary and that the other grades of bonds will move up until they are more nearly selling on a level with money rates than is the case at the present time.

Thus more than ordinary care and discretion is now required in choosing bond investments. A few months ago, it was possible to purchase almost any bond, in the hope of receiving a much higher price but such opportunities have generally vanished. Whatever opportunities remain are comparatively limited and must be chosen with discrimination.

The Investment Market

The present condition of the investment market must be taken into consideration in an estimate of near-by conditions. It is very apparent that toward the end of last year, the bond market gave signs of fatigue. The tremendous burden of new financing which the investment market had to bear in December and early January accounts for the relative indigestion of the present market. With such demands on the investment market, it is not surprising that the momentum of the advance was somewhat arrested.

There is another factor to take into consideration. The principal factor in the decline in money rates has been the depression in business which set in at the end of Autumn, 1920. With business stagnating, there was less need for funds. These funds accumulated and when they finally commenced to rise to large proportions as last Summer it was inevitable that they would flow into investment channels.

However, it is not to be anticipated that business will always be depressed. Certainly the outlook for the current year is that there will be a steady, if small, rise in business activity. This means that within a short period, the demand for funds for business purposes will increase. Money rates will possibly advance under such a stimulus and this possibly will be reflected in a somewhat lower level for bonds. Thus there are possibilities that the present tendency in bond prices will be reversed later on. Of course, this prospect cannot be accurately drawn, for obvious reasons, but this much can be set down with certainty: if business conditions improve, there will be fewer funds for investment, and, consequently, the incentive for a rise in bond values will to that extent be missing.

Technical Position

To further substantiate the argument that bond prices, on the average, have gone about far enough toward discounting the lower money rates, excluding of course, the exceptions referred to, it may be stated that speculative interest shows signs of waning, owing to the very much higher bond prices which now obtain as contrasted with those existing a half year ago. Further, the incentive to convert paper

(*Continued on page 509*)

ALL GROUPS OF BONDS STRONG

January Reinvestment Funds Bring Strong Demand for Bonds

BOND prices have been rising for the past couple of weeks under the combined stimulus of the usual January investment demand and the declining tendency of money rates. During the closing weeks of the year 1921, bonds were sort of resting after their sustained advance over a period of about five months. Prices eased off slightly and trading was again quiet. This was to be expected after so sustained an advance as had occurred. The bond market was in a waiting position and a new incentive was needed to start the ball a rolling again. The incentive was not long in coming. Since the first of the year the weekly Federal Reserve Bank statements have been showing a steady improvement in the reserve position and a steady increase in the funds available for commercial uses. Money is becoming more and more plentiful and this, of course, has brought about an easing in the money rate situation. At the present writing it seems quite probable that the Reserve Bank of New York will again lower the rediscount rate, this time probably to 4%. Investors who were reluctant to buy bonds at what they thought might prove to be the peak of the rise were quick to buy when the above mentioned facts were brought to their attention and they realized that in six months from now it might be an exceedingly difficult task to obtain yields of between 5½ and 7% on their investment.

Broad Demand

The demand for bonds carried right through the entire list, from the Gilt Edge to the Speculative and advances from two to three points were general.

Among the foreign government bonds, the City of Copenhagen and the Dominion of Canada issues were the leaders.

Union Pacific, Illinois Central and Delaware & Hudson bonds all advanced over three points, and in the case of the Atchison Convertible bonds a rise of six points was recorded. This, of course, was due to the sensational advance of the stock.

In the public utility group the Public Service Corporation of New Jersey 5s were the features, advancing 3½ points. Large earnings and talk of an increased dividend on the common stock probably accounted for the sudden strength in this issue.

Speculative Bonds

The traction bonds suddenly displayed great strength in the market. Interborough 5s were up eight points and Third Ave. 4s were up five points. These bonds have long been neglected and their very attractive speculative possibilities long over-looked. With the situation assuming a so much brighter outlook it was only a question of time before an active demand would set in.

The improving outlook in the copper industry was reflected by a three-point rise in the Chile Copper bonds.

The speculative railroad bonds were very strong, St. Louis Southwestern Cons. 4s, St. Louis-San Francisco adjust. 6s and Missouri Pacific genl. mtge. 4s were the leaders.

(*Continued on page* 494)

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	Foreign Governments. BETTER GRADE.			
1.	City of Christiania (b) 8s, 1945	107	7.35	..
2.	Danish Municipal (b) S. K. 8s, 1946	106	7.40	..
3.	City of Zurich (b) 8s, 1945	108⅝	7.25	..
4.	City of Copenhagen (b) 5½s, 1944	88½	6.50	..
5.	Kingdom of Sweden 6s, 1939	96	6.35	..
6.	Argentine (c) 5s, 1945	78	6.95	..
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	98½	5.65	..
8.	Dominion of Canada (c) 5s, 1931	97⅝	4.55	..
	MORE SPECULATIVE.			
1.	Kingdom of Belgium (a) 6s, 1925	95⅝	7.60	..
2.	Kingdom of Italy (d) 6½s, 1925	93½	9.00	..
3.	Republic of Chile (b) 8s, 1941	101½	7.80	..
4.	Sao Paulo (b) 8s, 1936	102½	7.70	..
5.	U. S. of Brazil 8s, 1941	104½	7.55	..
	Railroads. GILT EDGE.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	91	6.85	.80
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	83½	5.40	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	89	4.85	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	86½	4.80	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	88	4.65	2.40
6.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	91	4.60	3.65
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	85⅝	5.40	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1948	89¼	4.70	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	87⅝	5.25	2.00
10.	West Shore (a) 1st Mtg. 4s, 2361	81½	4.90	**
11.	Norfolk & Western (a) Cons. 4s, 1996	87	4.65	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	104	4.75	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	88	4.55	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	83	4.85	1.00
	Industrials.			
1.	Diamond Match (c) Deb. 7½s, 1935	109¾	6.35	†
2.	Armour & Co. (a) R. E. 4½s, 1939	88¼	5.55	6.75
3.	General Electric (b) Deb. 5s, 1952	97¾	5.15	5.55
4.	International Paper (a) 5s, 1947	87	6.00	16.70
5.	Indiana Steel (a) 5s, 1952	97	5.15	**
6.	Liggett & Myers (aa) Deb. 5s, 1951	93	5.45	4.80
7.	Baldwin Loco. (a) 5s, 1940	100 bid, 107 asked		2.65
8.	National Tube (a) 5s, 1952	96½	5.25	**
9.	Corn Products (a) 5s, 1934	99⅝	5.10	60.70
10.	U. S. Steel (a) 5s, 1963	101	4.90	8.70
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	101	5.95	3.40
2.	Pac. Tel. & Tel. (a) 5s, 1937	94⅝	5.50	1.75
3.	Amer. Tel. & Tel. (c) 5s, 1946	95⅝	5.30	4.80
4.	Philadelphia Co. (c) 6s, 1944	94¾	6.45	4.15
5.	N. Y. Telephone (b) 6s, 1941	103	5.75	**
6.	Montana Power (c) 5s, 1943	95	5.40	2.90
7.	Cal. Gas & Electric (a) 5s, 1937	93⅝	5.65	4.15
8.	N. Y. G., E. L., H. & P. (a) 5s, 1948	94½	5.40	2.10
	Railroads. MIDDLE GRADE.			
1.	Southern Pacific (b) Col. Trust 4s, 1949	80½	5.35	2.40
2.	Illinois Central (b) Col. Trust 4s, 1952	84½	5.30	2.25
3.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	79	5.55	.80
4.	Norfolk & Western (a) Conv. 6s, 1929	106½	4.90	3.95
5.	Atchison (a) Conv. 4s, 1960	97½	4.15	3.90
6.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	69⅝	6.35	1.60
7.	Cleve., Cinn., Chic. & St. L. (a) Deb. 4½s, 1931	86	6.60	2.40
8.	Ches. & Ohio (b) Conv. 5s, 1946	86¼	6.10	1.55
9.	Pere Marquette (c) 1st Mtg. 5s, 1956	90½	5.65	2.05
10.	Kansas City Southern (a) 1st Mtg. 5s, 1950	64⅝	5.50	1.70
11.	N. Y., Chic. & St. Louis (a) Deb. 4s, 1931	83	6.55	2.35
12.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	75	5.35	2.00
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	94¾	6.45	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	92½	6.70	5.45
3.	Adams Express (b) 4s, 1948	75½	5.85	2.60
4.	Int. Merc. Marine (b) 6s, 1941	92	6.75	5.15
5.	Lackawanna Steel (c) 5s, 1950	84½	6.15	6.90
6.	Bush Terminal Bldg. (a) 5s, 1960	89	5.75	2.35
7.	U. S. Rubber (c) 5s, 1947	87¼	6.00	5.00
8.	Amer. Smelting & Refining (c) 5s, 1947	88½	5.85	9.35
9.	Goodyear Tire (c) 8s, 1941	112¼	6.80	x
10.	Du Pont de Nemours (c) 7½s, 1931	104	6.90	..
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	77½	6.65	..
2.	Detroit Edison (c) Ref. 5s, 1940	92	5.75	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	90	5.80	1.35
4.	Northern States Power (b) 5s, 1941	89⅝	5.90	1.80
5.	Brooklyn Edison (c) 5s, 1949	90⅝	5.65	2.20
6.	Utah Power & Light (a) 5s, 1944	88⅝	5.90	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	88½	6.15	1.70
	Railroads. SPECULATIVE.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	61½	7.10	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	72	8.15	..
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	72½	8.05	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	73½	8.35	*1.90
5.	Southern Railway (a) Genl. Mtg. 4s, 1956	62½	6.85	1.85
6.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	61½	6.65	.90
7.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	84½	6.55	1.40
8.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	70½	9.15	.50
9.	Denver & Rio Grande (c) 1st Ref. 5s, 1955	45½	11.35	1.15
	Industrials.			
1.	Chile Copper (b) 6s, 1932	87¼	7.65	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	94½	8.30	2.75
3.	American Writing Paper (a) 6s, 1939	82½	7.85	1.90
4.	American Cotton Oil (a) 5s, 1931	81	8.00	3.15
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	77⅝	6.65	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	64	7.95	*2.60
3.	Third Avenue (b) Refg. 4s, 1960	61	6.90	*1.20
4.	Va. Rwy. & Power (a) 5s, 1934	72	8.85	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

xThis issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years.

Railroads

Western Pacific R. R. Co.

Forecasting Western Pacific's Future

Difficulties Encountered by "Lay" Investors—The Litigation Drawback—Prospects of the Shares

By HENRY FRANKLIN

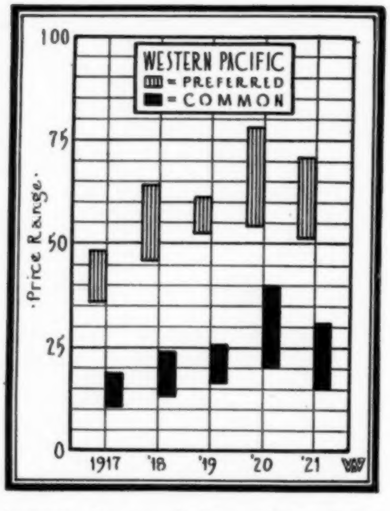
FOR a railroad of its age Western Pacific has had a very interesting and rather unusual career, although its record thus far excites curiosity rather than creates a positive inclination to purchase its shares. The story since construction and beginning of operation might be entitled "From Servant to Master in Ten Years."

Originally built by the Denver & Rio Grande interests to furnish that system with an independent line from the Rockies to San Francisco, the road was adequately prepared, from a traffic standpoint, to serve the purpose for which it was constructed, but it early fell into financial difficulties. To top this the Denver practically repudiated its guarantee of the original Western Pacific 5% first mortgage bonds.

Western Pacific was reorganized in 1915 and six years later turned the tables, from a financial standpoint, and acquired control of the Denver & Rio Grande, changing the name of that system to the Denver & Rio Grande Western. As it stands today the Western Pacific Railroad Corporation is technically a holding company, owning all the stock of the Western Pacific Railroad and all the common stock of the Denver & Rio Grande Western Railroad.

Litigation long drawn out, as all corporate litigation is, has served to confuse the position of Western Pacific from an operating standpoint, and those who have been interested in the road, as well as those who might be interested, have had their viewpoint obscured by suits, countersuits and appeals, all growing out of the original guarantee by the Denver of the old Western Pacific 5% bonds.

In the last analysis these suits have had no direct influence on the earning power of the present Western Pacific nor was its financial position particularly jeopardized. The courts, from low to high, have recognized the claim of the Western Pacific against the Denver, and the sale of the Denver property last year for $5,000,000 was the result of judicial recognition and establishment of the Western Pacific judgment. All through the proceedings Western Pacific was the plaintiff and not the defendant, but the complications involved undoubtedly have helped to make investors and speculators approach the securities of the company with caution and, furthermore, have perhaps served to



increase the speculative position of the preferred, not in the way of helping the speculative possibilities but rather having aroused doubts as to its safety as a semi-investment. It may be admitted, perhaps, that the suspicions caused by the litigation have no foundation in fact, but human nature is so that when the lawyers go to court it is considered much safer to watch the fight than to participate, sometimes in the role of an innocent bystander.

TABLE I.—WESTERN PACIFIC'S EARNINGS RECORD.

	Gross	Total net Inc.	Surplus after charges	% Earned on preferred
1914	$6,099,573	$778,368	*$4,420,798	Deficit
1915	5,708,128	965,712	*2,613,425	Deficit
1916	7,466,004	2,442,413	2,001,316	7.28%
1917	9,898,484	4,043,905	2,443,269	8.88
1918	11,078,410	2,976,166	1,783,435	6.49
1919	13,657,296	4,249,914	2,495,794	9.08
1920	15,612,843	4,514,839	1,976,123	7.19

*Deficit.

Dividends and Earnings

The dividend record of the present Western Pacific preferred stock is not a bad one. Payments were inaugurated in 1918, and at the end of 1921 total payments had been 21½%, distributed as follows: 6% in 1918, 4½% in 1919, 5% in 1920, 6% in 1921. The issue is entitled to 6% but is non-cumulative, and 21½% in the last four years represents 90% of the dividends to which the shares are fully entitled.

Total capitalization of Western Pacific is $107,233,700. Incidentally, no distinction is here made between the Western Pacific, the holding company, and the Western Pacific, the operating road, for the holding company owns all the stock of the operating company and to all intents and purposes the two corporations are one and the same for lay consideration.

The per mile capitalization is between $88,000 and $89,000. Western Pacific is not a low cost road. Total capitalization is divided into 30% funded debt and 70% stock, and the share capitalization is divided into $27,500,000 preferred and $47,500,000 common. The relatively large amount of share capitalization as compared with funded debt would tend to prevent wide fluctuations in earnings applicable to the shares from year to year.

Earnings and Federal Control

For the purposes of understanding the Western Pacific as a railroad, the earnings of the Denver & Rio Grande may be excluded for the time from consideration. Western Pacific was one of the few roads which did not enter into a contract with the Government during the period of Federal control, apparently because the compensation offered by the Government was far below the amount to which the management thought the road was entitled. Officials of the U. S. Railroad Administration placed annual compensation at $1,986,760. The company claimed $4,557,000. The compensation as granted by the U. S. Railroad Administration was not at the rate of 6% upon the preferred stock, even with the addition of non-operating income in 1918 and 1919. Nevertheless, dividends were paid throughout the period of Federal control with, as it developed later, good reason.

Excluding the question of standard return during Federal control, and considering actual operations, Western Pacific earned the preferred dividend in 1918 and 1919, and the accompanying table shows the earnings record of the company without regard to guaranteed compensation.

When Government control was at an end Western Pacific did not accept the six months' extension to August, 1920, and in this refusal the management showed good judgment, for in 1920 Western Pacific earned over 7% upon the preferred stock. All through the year earnings were excellent, until December, when a big slump

hit earnings and continued over into 1921. For example, during the first five months of 1921 net operating income was $314,000, whereas in the month of January, 1920, net operating income was over $425,000. With this start it soon became evident that Western Pacific could not hope to equal, in 1921, the showing of the preceding three years, and because of the slump in net earnings there was some discussion of the position of the preferred stock as regards dividend payments.

TABLE II.—DENVER & RIO GRANDE EARNINGS.

	Gross	Surplus for charges	Fixed charges	Net income
1915	$21,823,236	$7,103,717	$5,684,987	$1,418,731
1916	24,890,084	9,484,351	5,868,283	3,616,068
1917	28,423,138	7,722,220	5,622,457	2,099,763
1918	31,352,214	4,276,764	5,611,475	*1,334,711
1919	33,016,257	3,106,950	5,594,397	*2,487,446
1920	40,590,345	4,509,216	5,571,529	*1,062,313

*Deficit.

In the eleven months ended November 30, 1921, net operating income was $1,315,-000, against $3,413,000 for the same period of 1920, a reduction of more than 50%. Estimating on the basis of the eleven months earnings it may be figured that Western Pacific earned possibly 1% on the preferred stock last year. A rather discouraging feature was another slump in earnings in November, following a substantial improvement registered in August, September and October. The saving feature in the situation was Western Pacific's settlement with the Government. This settlement was effected in July, 1921, and concluded all matters growing out of Federal control. The negotiations resulted in the company receiving $8,646,000, of which compensation for the use of the property was $6,934,000, being at the rate of $3,200,000 per annum, compared with $1,986,000, which had been granted as annual guaranteed compensation. Of the settlement $4,200,000 was in the form of cash, the remaining being settled through an adjustment of open accounts as between the company and the Government. The adjustment was of importance, mainly, as showing that the full 6% dividend on the preferred stock was earned throughout the period of Federal control. Consequently, the settlement put the Western Pacific in a comfortable cash position, and the receipt of this cash is probably one of the reasons why there has not been more concern over earnings in 1921, as compared with the amount of dividends now being paid upon the preferred stock.

Traffic Factors

As a traffic factor the lack of feeder and branch lines has hampered Western Pacific. Its main mileage is from Salt Lake City to San Francisco, a distance by Western Pacific rail of about 925 miles. Total average mileage operated is a little over 1,000.

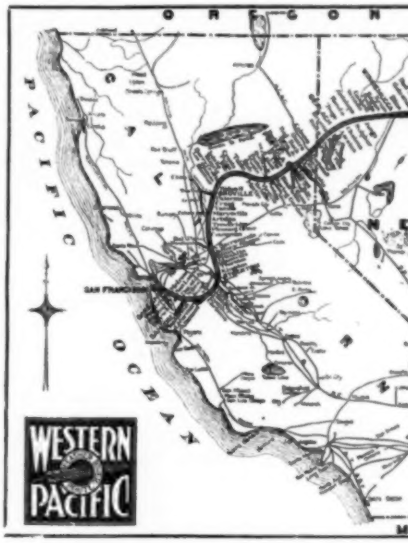
Western Pacific originates only a relatively small amount of traffic. For instance, in 1921, the number of tons of revenue freight originating on the Western Pacific lines was only 313,000, against 1,263,000 received from connecting lines. In other words, only about 20% of the total freight traffic was originated on own lines. This small proportion would ordinarily be almost fatal to a road without strong connections and feeder lines. It will be noted that the territory from Salt Lake to San Francisco is not, by any means, non-competitive, and it is likely that a restoration of more normal railroad operating and traffic conditions will emphasize the element of competition to a greater degree than during the past three or four years, when railroad individuality was completely submerged. Having a traffic layout of that kind, it is likely that the Western Pacific management considered that the ownership or control of the Denver was very necessary, as the Denver is depended upon by Western Pacific to furnish westbound tonnage. Mine products are the largest tonnage in volume originating on the Western Pacific lines, although agricultural products are not inconsiderable. Bituminous coal is the biggest factor in the tonnage received from connecting lines. Of course, Denver does a big coal business.

Since the beginning of operations Western Pacific's gross revenue per mile naturally has increased substantially, and the figure in 1920 was more than double that of 1915. Net income per mile was actually smaller in 1920 than in 1915, 1916 and 1917, but the abnormal conditions under which railroads have been operating have deprived comparisons of this kind of much of their value. In the six years ended December 31, 1920, Western Pacific's ratio of transportation expenses to total revenues presented rather a favorable comparison with that of other roads operating in the far West, but the percentage devoted to maintenance of way and maintenance of equipment was not as large as that of other roads. This may have been due to the fact that Western Pacific, a new property, did not require the amount of repairs, etc., that older properties did.

It is quite finally established that Western Pacific needs the Denver & Rio Grande to supplement traffic and to round out the property into something that resembles a complete system. While Western Pacific may receive the expected tonnage from Denver, it is difficult to see any return on the Denver stock for a long time to come.

When the Denver & Rio Grande was sold under foreclosure proceedings the Western Pacific, as purchaser, incorporated the Denver & Rio Grande Western Railroad. This was in 1921. This new company has 300,000 shares of common stock outstanding, all of which are owned by the Western Pacific. To date there have been no decided changes in the Denver's funded debt, which was not assumed by the Western Pacific. The Denver income 7s may receive Western Pacific 4% ten-year notes, par for par. Over half of the income bondholders have assented to this exchange. Incidentally, the semi-annual interest due October 1, 1921, on the adjustment 7s was not paid.

It is also revealed by statements issued by the Interstate Commerce Commission that Western Pacific has been negotiating with holders of the Denver & Rio Grande refunding bonds, a negotiation which contemplated the retirement of the funding bonds and the substitution of the 7% preferred stock of the Denver & Rio Grande Western. Nothing definite has come of



this proposal, so far as has been ascertained, and therefore the new Denver has only common shares outstanding.

For several years it has been felt that the Denver property was not maintained in A-1 shape, either as to rolling stock, motive power or road bed. About a year or so ago it was semi-officially estimated that $12,000,000 ought to be spent on the Denver property in order to bring it up to first-class shape. Thus far there has been no reliable intimation of negotiations for the borrowing of any substantial amounts for this purpose. Western Pacific might be able to pledge its credit successfully

(*Continued on page* 504)

Industrials

International Harvester Company

How Depression Affected Harvester

Early Conservatism of Management a Bulwark — Shares Attractive for Long Pull

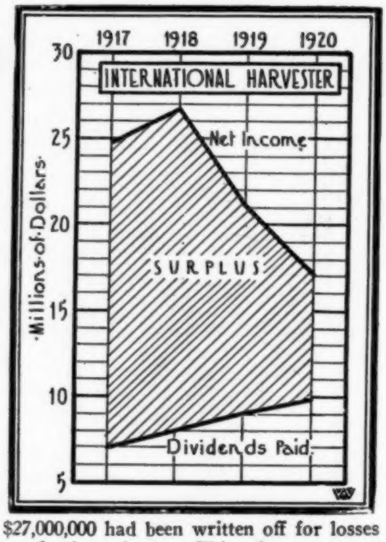
As is well known, the period of deflation through which we have just passed was particularly trying to those companies who through the nature of their business are obliged to carry large inventories and have to sell a big percentage of their products on credit. International Harvester falls in this class, and for the year 1921 will undoubtedly have large losses to write off. While the managements of many companies have been criticised, and perhaps justly, for the losses taken in the past eighteen months, the management of International can hardly be blamed for the predicament in which they found themselves at the close of 1920. When a farmer wants a harvesting machine he wants it promptly, and this company has to keep itself in a position to supply demands without delay. Hence a large inventory was essential to maintain the company's good-will. Moreover, the harvesting machinery business has never been on a cash basis, and this company, from the time it started in business, has always had a large amount of farmers' notes outstanding.

As of December 31, 1920, inventories stood at the imposing figure of $131,000,000, farmers' and dealers' notes receivable at $37,000,000, and accounts receivable at $23,700,000. In spite of the large working capital of the company, this necessitated bank borrowing of about $11,000,000. Unfortunately the drop in the price of farm products practically killed the buying power of the farmer for the time being, and harvesting machinery was only purchased in 1921 when necessity demanded. For the full year 1921 operations of the company did not average over 40% of capacity, and for several months the plants were only working at 25% of capacity. Moreover, collections were very poor, thus increasing the financial strain on the company.

It can be readily seen, therefore, that International Harvester has gone through a period of highly unfavorable conditions, and the fact that it has not been forced to do any financing is the result of conservatism in the past which enabled the company to build up an unusually strong financial condition.

Prepared for Setbacks

If ever a company was in a position to face adversity, this one was. From the character of its business the management has always realized that a big working capital was essential so that in periods of depression or tight money it would not be at the mercy of the banks. For a long period of years the dividend policy has been unusually conservative and millions were put back into the plants and went to enlarge the working capital. At the end of 1920, therefore, the rather unusual situation existed of a company with a total capitalization of $153,636,000 having a working capital of $157,800,000. In other words, every dollar of stock outstanding was represented by a dollar of net current assets. In addition, the plants and property of the company are valued at $83,000,000, which can be regarded as a conservative valuation in view of the fact that



$27,000,000 had been written off for losses on foreign plants. This gives an asset value to the common stock of close to $200 a share.

Of course, this does not take into account the losses that the company had to take in inventory account to date. In this connection, however, there are a few facts which indicate that the loss will be more moderate than many people expect. In the first place, the company in 1920 wrote off $7,500,000 for inventory depreciation. Moreover, it had never carried its "basic" inventory, representing a normal quantity of raw materials, work in process and finished products, at the high figures reached in 1919 and the early part of 1920. These were carried right along at 1916 inventory prices. The additional inventory; that is, quantity in excess of normal, was valued at 1920 cost or market, whichever was lower. An official of the company has stated that in spite of the reduction in prices which went into effect in 1921, a small profit would be realized on the products sold. The loss to be written off, therefore, will only be on the inventory carried over.

Probable Inventory Losses

The company only operated at about 40% of capacity in 1921 and there will be a considerable amount of the old inventory left. It is not thought likely that the loss on this will exceed $10,000,000, in view of the prices at which it has been carried.

A total deficit for 1921 of $10,000,000 or even $20,000,000 should not seriously affect the long pull possibilities of the common stock. It is decidedly unlikely that the company will ever have to face again such unfavorable conditions. A $20,000,000 loss, to take the gloomiest view, would still leave the company with over $130,000,000 working capital, ample for its needs under normal conditions. As a matter of fact it is understood that at the present time, through reduction in inventory account, the company has paid off practically all its bank loans.

Another important point to consider is the more favorable outlook for its foreign plants. As already stated the company has written off $27,000,000 for losses on foreign property and it looks very much as though a good deal of the money will come back. All the foreign plants are being operated at the present time and the German plants are planning to increase output in anticipation of South American business. The company's plant in Russia has never been nationalized and is being operated by the company's own managers.

International Harvester plants are among the most up to date in the country and practically all the company's products are made by its own plants from the raw material up. Supplies of iron ore are obtained from the Agnew mine in Minnesota on which it has a 32-year lease from the Hawkins Mine, Minn., and from the Illinois Mine in Wisconsin. In 1918 the Sargent Mine, Minn., was leased for 50 years. These four mines have a total capacity of 1,500,000 tons per annum. Harvester is in itself quite a steel company and has a capacity of 450,000 tons of pig iron and a production of steel bars, etc., of 350,000 tons yearly. Coal mines located in Kentucky produce 1,000,000 tons per annum, and its coke ovens produce 350,000 tons of coke. For its timber the company has a large acreage in Missouri. It operates its own sawmills and the capacity of these at the present time is close to 25,000,000 feet per annum. The company has also gone directly to

(*Continued on page* 511)

Chicago Pneumatic Tool Company

Earnings Now on Upgrade

Not Much to Be Feared from German Competition—Good Financial Position

WHILE Chicago Pneumatic Tool is not strictly an equipment stock its products are largely used by the equipment companies and the railroads, and its business rises or falls with the business activity of the large equipment concerns, such as American Car & Foundry, Pullman, Baldwin and American Locomotive. The company's principal articles of manufacture are air compressors, pneumatic tools, electric tools and appliances, and rock drills. There is no doubt but that the equipment situation looks better, and while 1922 may not be an unusually good year in this line, a fair amount of business is expected.

Recently the equipment companies have been coming into the market for tools, and there have been a good many inquiries indicating new business is on the way. The railroads, however, have been doing very little buying, for, although they need tools, the expenses are being cut to the bone, a result of unfavorable traffic returns in the past several months. Everything points to a heavier volume of freight on the railroads in 1922, and as soon as they begin to see daylight this buying is bound to come in.

Of course, 1921 was an unsatisfactory year for Chicago Pneumatic Tool.

The great activity in business in 1919 and the early part of 1920 resulted in many companies becoming temporarily overstocked with this company's products and the demand fell to very small proportions. The company also had large losses to write off in inventories. Under these circumstances Chicago Pneumatic Tool was unable to fully cover dividend requirements. While it cannot be stated definitely just what will be shown for the stock in 1921, because of the uncertainty as to how much will be charged off for depreciation, it is expected that about $3 or $4 a share was earned. Everything considered, this is not a particularly bad showing.

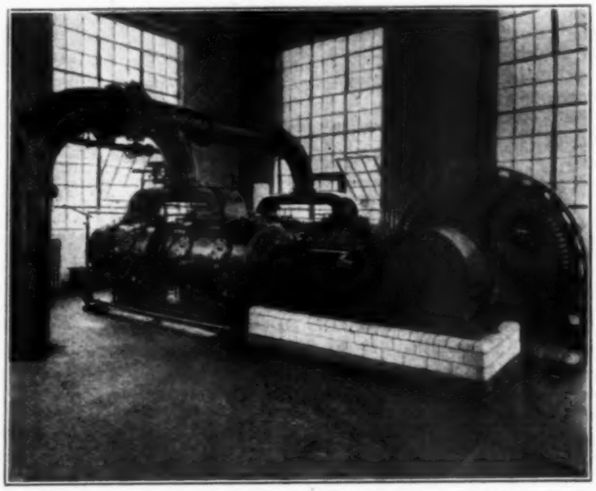
Dividend Reduction

At the present time dividends are being paid at the rate of 4% per annum, the dividend having been reduced from an 8% rate to a 4% rate in June, 1921. Although the company had to dip into surplus somewhat to pay 1921 dividends, the improved demand that first made itself felt in November, and has continued since, has made the management feel very optimistic that in 1922 the company will be able to cover the present rate with a fair margin to spare.

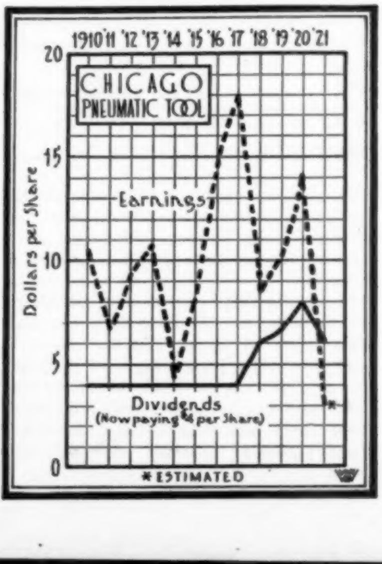
As a matter of fact, the company is in a position to go through quite an extended period of depression without worrying, as it has built up a very strong financial condition. As of December 31, 1920, working capital was $9,290,000, which compares with a working capital of only $2,890,000 in 1914. This improvement was brought about partly through surplus earnings and partly by the sale of new common stock. In the latter part of 1919, 64,488 shares were sold, the company realizing about $6,300,000. Of this amount $2,967,500 was used to retire the funded debt, $1,775,000 for plant extension and the balance went into working capital.

Business Reorganization

Up to the time of the war Chicago Pneumatic Tool did nothing remarkable in the way of earnings, but since 1914 improvement has been marked. This improvement was due in part, of course, to the huge war demands, but another important reason for the improved position of the company was the business reorganization that took place in 1918. The old management had not been sufficiently aggressive or up to date, and the new management put into effect more modern methods and injected new life into the organization. Inventories were carefully gone over and $800,000 charged off for obsolete material. Another radical departure was the elimination of the motor truck department. This department had been running at a loss since its inception in 1911. In selling out this end of the business a loss of over a million dollars had to be taken. Work was concentrated on building up the plants to a high state of efficiency, and the company's factory facilities at the present time are up to date in every respect and greatly increased.



Showing installation of duplex tandem single stage direct connected synchronous motor driven gas boosters made for the Bethlehem Steel Co. at Steelton, Va.



As is well known, Charles M. Schwab is a director of the company and much of the improvement in the physical and financial condition of the company can be attributed to his guiding hand.

As can be seen by the accompanying graph, the company has shown a rather consistent earning power over a long period of years. The company was incorporated in 1901, and from 1902 to date has paid dividends on the stock every year, with the exception of 1908 and 1909. From 1911 to the present time not less than 4% per annum has been distributed to stockholders. This is an excellent record, and in view of the fact that the company is in better shape now than it has ever been before, the outlook for the future can be regarded optimistically.

Of course, there is the question of foreign competition to be considered. No doubt under present conditions Germany can undersell this company on some of its products, but in this connection it should be remembered that the company has large plants in Germany and is, therefore, in a position to meet this competition under the same favorable conditions.

In many of its lines the foreign product is not feared for the reason that the company sells with its devices a highly efficient repair service and the buyer would prefer to pay a little more in the first place and be sure of avoiding trouble through break downs. At the present time over twenty service stations are being operated.

Capitalization

Capitalization of the company consists of $12,897,600 stock, par $100. There is no bond issue or preferred stock. Notes payable as of December 31, 1920, were

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"X, BSB, and RBC"

Their Trade Careers in Recent Months—Are Their Shares Too Low?—The "Merger" Situation

By **JOHN MORROW**

TO consider the steel shares without placing U. S. Steel in a primary position would be like concocting an omelet without eggs. Probably in second place, in popular opinion, stands Bethlehem Steel, with its war record still powerful enough in memory to stir sentiment or at least, to enrich stock market reminiscences which usually conclude with "if only I had held it just a few months longer." Practically all of the steel stocks indulged in enough pyrotechnics during the war markets to satisfy the most jaded speculative appetite, and another of the companies which secured a prominent place in public attention, on account of its war record, is Republic Iron & Steel.

These three—Steel, Bethlehem and "Rebecca" are swayed by all the factors that affect the steel industry, and their securities are affected variously by practically every influence that determines what the market prices of steel shares shall be. In other words, they are representative and typical, a description which, of course, is highly superfluous in the case of U. S. Steel and largely superfluous as regards the two others.

The steel industry, lately, concluded a year when operations for weeks at a time were virtually at a standstill in many plants and when the atmosphere in Pittsburgh was clearer than it had been for several years.

The three companies were, naturally, affected by the 1921 depression in the steel industry, but not all of them to the same extent. How they differed will be treated subsequently. Since the turn of the year conditions appear to have improved and trade reports concerning the steel industry are more cheerful.

July, 1921, was the low point for the production of pig iron, the barometer of the steel industry. In that month only 865,000 tons were produced, but the figures had grown to 1,500,000 tons in December. However, even this total was only at 1914 levels, when the industry was under the prostrating influence of the shock of the beginning of the European war. In the heyday of the war boom our production of pig iron ran above 38,000,000 tons annually, or an average of over 3,000,000 tons a month. In general, 1921 was a 30% year or less, meaning that steel mills operated at approximately that percentage of capacity, although there were times when 10% to 15% might have been a closer figure.

Steel producers say that there is little or no money in the production of steel at present prices, but are more cheerful over the outlook for the volume of business. Consumers' shelves are bare of supplies, and it is expected that the hand-to-mouth policy of buying will be superseded, this Spring, by a resumption of forward buying on a moderate scale at least. The first quarter of 1922 is not expected to be an especially profitable one for the steel companies, and trade observers are quite generally agreed that it will not be until the second three months that signs of real activity will begin to appear.

Characteristics of the Three Corporations

Despite conditions prevailing in 1921, the faith in U. S. Steel, among the rank and file of investors and traders, seemed to grow stronger. There has been no serious question of a reduction in the dividend rate on the common stock, although it was not earned last year. The cash reserves of the big corporation are very large, and it has been a lender of money and not a borrower. The company can make steel as cheap, if not cheaper, than anyone else, and its complete resources in oil lands, coal lands, railroads, mills, etc., are widely recognized. U. S. Steel is generally regarded as absolutely impersonal, as an organization—as a great machine—smooth working, efficiently handled by a multitude of experienced men, none of whose personalities obtrudes or dominates. Chairman Gary, urbanely diplomatic and optimistic, is accepted as an ambassador of a nation might be, in that he represents the tremendous power of great concentrated organization—an organization so far-reaching that the individual is submerged. The faith in that organization has grown to such an extent that the U. S. Steel Corporation is looked upon as the Standard Oil Companies are—as the highest type of American corporations.

EARNINGS PER COMMON SHARE.

	U. S. Steel	Bethlehem	Republic
1915	$9.96	**$112.50	$6.50
1916	48.45	**286.30	47.65
1917	39.15	*43.20	51.87
1918	22.10	*21.00	22.22
1919	10.14	*20.00	1.43
1920	16.60	*18.40	19.55

*On Class A and Class B common.
**Prior to increase capital stock.

Insofar as impersonality is concerned, the public conception of Bethlehem Steel is exactly the reverse. As large as the corporation has grown, and as vast as its enterprise is, few think of the company without thinking, coincidently, of Charles M. Schwab, and, in fact, there are many who speak of it as "Charley" Schwab's company. His personality still dominates the organization, as it has dominated since 1905, and there are men who buy Bethlehem Steel securities because they want participation in "Charley" Schwab's company.

Republic Iron & Steel was not well known to the public until its common stock did stunts in the war markets and rose from 19 in 1915 to 145 in 1919, and subsequently lost 100 points from the top. Without meaning to criticise Republic Steel, whose management is highly regarded among practical steel men, probably more doubt exists in the public mind as to the ability of the company to come back and to restore earning power than in the case of U. S. Steel and Bethlehem. Yet the common stock of Republic is within hailing distance of Bethlehem Steel common, which pays $5 in dividends, whereas Republic is paying nothing on its junior stock. At the same time, Bethlehem is about 25 points under Steel common, also paying $5. It is currently said that Bethlehem Steel was the only steel company to earn its common dividend in 1921. U. S. Steel promises to show a balance on the junior stock of about $2 per share, while it is a foregone conclusion that Republic will show a substantial deficit.

Stock Market Factors

Undoubtedly, one of the chief factors governing the current market level of Republic Steel common is expected merger developments among the independent steel companies. These reports have been current since the last of 1921, and they are well founded, for it is known that tentative plans are on foot to consolidate some of the leading independents, with the idea of reducing overhead charges, production costs and of improving distribution of finished steel products. Speculative sentiment has been actively stirred by these reports, and the shares of those companies which are considered as candidates for mergers apparently are trying to find a place in the market which will represent an approach to the price at which the stocks may be taken into such mergers. This basis is more or less guesswork among the rank and file just now, but, undoubtedly, it is the speculative influence back of Republic Steel common. Of course, there has been a considerable short interest in Republic. There are only 300,000 shares of the common stock outstanding and the floating supply is not particularly large. Assuming, as most observers do, that the steel industry has put the worst behind it and has ahead of it a period of greater activity, the burden of proof would seem to have shifted from the long to the short side of steel shares. This is not necessarily to say that Republic Steel common is downright cheap, but it does seem as if the short side of the stock had been robbed of most of its attractions—

CAPITAL CHANGES—X., B. S., R. B. C.

	Funded Debt		Share Capital		Total	
	1914	1921	1914	1921	1914	1921
U. S. Steel..	$627,045,112	$551,818,624	$868,583,600	$868,583,600	$1,495,628,712	$1,420,402,220
Beth. Steel..	36,207,700	143,540,392	29,770,000	104,770,000	65,977,700	248,310,392
R. B. C....	16,800,000	13,374,000	52,191,000	55,000,000	68,991,000	68,374,000

that is, the short side—as a permanent or sustained position.

It is true that the casual observer might look at the stock tape and from the current prices of the steel shares think that business was fairly active, with the mills showing plenty of smoke at the stack-mouths. This is not so. There has been and still is a big number of traders who have sought to establish the impression that the country's steel industry had been sunk without trace. Consequently the steel shares were sold, and on second thought sold again. The recent advance has been largely at the expense of the short interest.

When the four-power naval limitation pact began to assume definite shape, conjecture immediately turned to the steel shares. Naturally, Bethlehem was the object of the most attention, for that company, much more than U. S. Steel or Republic, was popularly known as the builder of war vessels and the maker of armor, guns, etc. Estimates show that the total investment of Bethlehem in war plants is only 5% of the whole property investment. Of course, during the war, when every steel company devoted every energy to the manufacture of war materials, the proportion was much greater; but, obviously, that condition presented no basis upon which to build conclusions for normal or peace-time operations.

As above mentioned, Bethlehem was the only one of the three companies under discussion to earn common dividends in 1921, and this was largely due to shipbuilding contracts. Of Bethlehem Steel's total property investment of $232,000,000 about 10% is in shipyards. The shipbuilding industry is dull—perhaps worse than dull—but Bethlehem has succeeded in securing a fair amount of repair work, and it is likely that the prospect for the continuance of this kind of business is good enough to dissipate fears about the shipyard investments of the company.

Only one of the plants of the U. S. Steel Corporation does any war materials work, while Republic is not, under normal conditions, a producer of any war steel. *As a matter of interest, it may be mentioned that, in normal times, only 250,000 tons annually represents this country's steel output for war materials, an amount which is only one-half of one per cent of the total steel production.*

Of course, the steel companies would like to build up a healthy export trade. The restoration of foreign business is likely to be a slow process, and at this time it is impossible to estimate reliably what the prospects are in this direction. The great hope for the steel business seems to lie in the resumption or the restoration of buying power of the railroads—a trite statement, perhaps, but vitally important, nevertheless. Some fair sized equipment orders recently have been placed, and if the railroads have any luck at all in adjusting their wage and financial problems the volume of their purchases ought gradually to grow and thus to furnish a much-needed backlog for the steel industry.

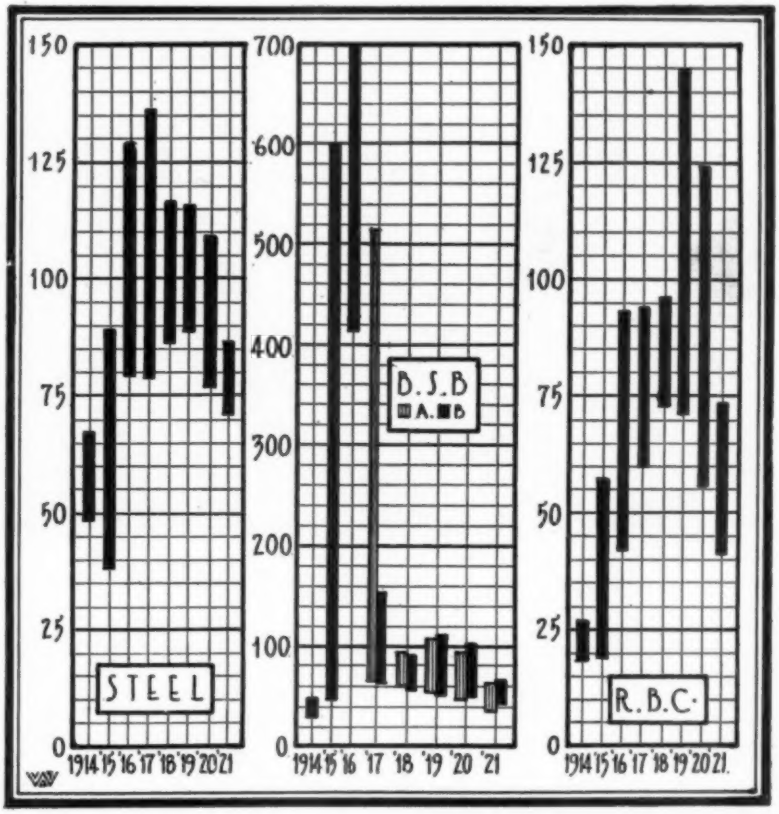
What the Figures Show

Of the three companies—United States Steel, Bethlehem and Republic—Bethlehem expanded its capitalization the most during the war period. Whereas at the end of 1914 the total funded debt and share capitalization of Bethlehem stood at about $66,000,000; present total is $248,310,000. The Steel Corporation actually reduced its capitalization through a decrease in funded debt, so that the total is $75,000,000 less than it was seven years ago. Republic's figures are practically unchanged.

In the period from 1914 to 1920, inclusive, Bethlehem added $160.80 per share to the value of the common shares; Republic $102.75, and Steel $93.20. *These figures ought to show conclusively that the question of inflated book value, etc., is entirely eradicated from consideration.* Perhaps just at present the factors of book value and treasury position are much more pertinent than earnings.

point. In May, 1921, dividends upon the common stock, which had been at the conservative rate of $6, were suspended, but the regular 7% dividends upon the $25,000,000 preferred stock are being continued.

In the nine months ended September 30, 1921, Republic reported a deficit of $4,000,000, after all dividends. Results in the fourth quarter may have been proportionately a little better, but not enough so to alter materially the conclusion that the company ended the year with a sizable deficit. The common shares, selling between 50 and 60, are not exchanged at that level in expectation of an improvement in the steel business, which would warrant anticipation of dividend resumption on the



The treasury position of U. S. Steel is beyond all question. For example, the addition of $93 to the value of the common shares was figured after allowance of over $240,000,000 for amortization and inventory reserve.

At the end of 1920, Bethlehem Steel had cash and securities holdings of over $21,000,000, and it is currently estimated that this had been materially improved as at the end of 1921. In addition, the company had the comfort of more than covering common stock dividend requirements from current earnings. There are no recent figures to indicate Republic's treasury position. At the end of 1920 the company had a working capital of $25,500,000, including $6,500,000 in cash and U. S. securities. It is somewhat difficult to see how this could have been strengthened during 1921, although on the other hand, there is no evidence to show that cash position has been depleted to the danger

common stock in the near future. The first quarter's earnings of this year are not expected to furnish substantial profits for any of the steel companies, and it would, perhaps, be unfair to judge Republic's earnings prospects on that basis, more particularly because there seem to be fair grounds for believing in an improvement later in the year. Therefore, Republic common must be selling on the basis of speculative merger value, but the rank and file of traders has no means of closely determining what such merger value may be.

Conclusions

Republic's plants and all around physical structure are much stronger and much more valuable intrinsically than they were in 1914, and there is little to be gained by comparing the present value of the common stock with the value in that year. The stock does not appear to be relatively

(*Continued on page* 514)

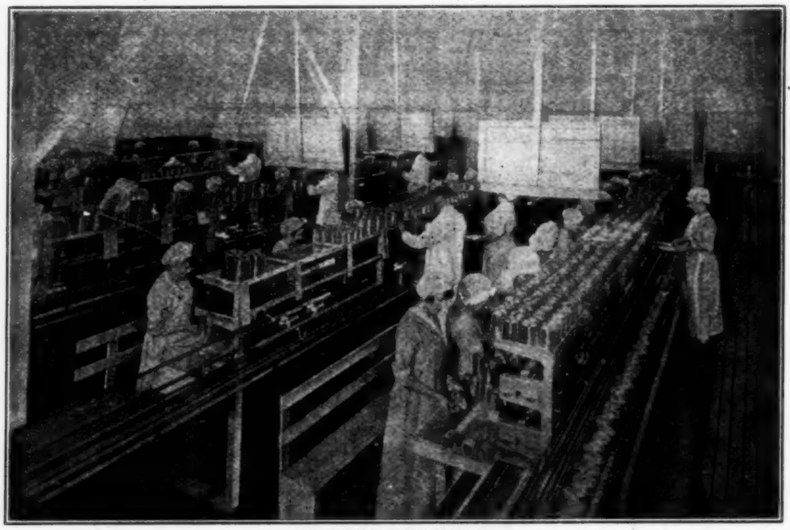
Now On Sound Basis

High-Cost Inventories Sold—Strong Financial Position—Material Reduction in Costs

IN the early part of 1921 the pessimists became very active in predicting dire things for California Packing. The dividend was not only going to be reduced but passed entirely. "Take a look," said they with glee, "at the nice big inventories the company is carrying. What will their $12,000,000 of merchandise and supplies be worth with prices crumbling?" However, the dividend was not passed, and not even reduced, and even the bears have stopped predicting anything unfavorable along this line at the present time.

There is no doubt but that the company was in a rather uncomfortable situation at the beginning of 1921, carrying as it did the largest inventories in its history, and it is a great tribute to the management of the company that it succeeded in extricating itself from this entanglement without having to take any serious losses.

During the period of unusual prosperity the company had made great efforts in perfecting its sales organization and by avoiding profiteering had gained the confidence of the retailers and popularized its brands. Therefore, when the pinch came, there was still a fair market for the company's goods when many other concerns dealing in food products found that their market had disappeared. Prices on canned goods were cut 40%, and while profits were small the company succeeded in getting rid of all its carry-over stocks and, in addition, sold the larger part of the 1921 pack.



FILLING THE CANS
Showing one of the operations in California Packing's Modern plant. Each can is weighted to insure full measure

1921 Earnings

While no actual figures have been given out as to what the company will show earned on its stock for the year 1921, it is anticipated that the present dividend of $6 per share was earned with a small margin to spare. Of course, it is possible that heavy charges for depreciation may be made that will bring the final result under these figures, but even this would be an excellent showing in view of the unfavorable conditions the company had to contend with.

Steady Growth

There would appear to be little question but that California Packing is a growing concern. From the incorporation of the company in 1916 to date, gross earnings have doubled and net earnings have more than kept pace with the increase in gross. When the company was started it acquired the business of five established Pacific Coast food packing and canning companies. The business consists principally of packing and distributing dried fruits, canned fruits, canned vegetables and canned salmon. Over eighty canneries and packing establishments are operated, located strategically throughout California, Utah, Oregon and Hawaii.

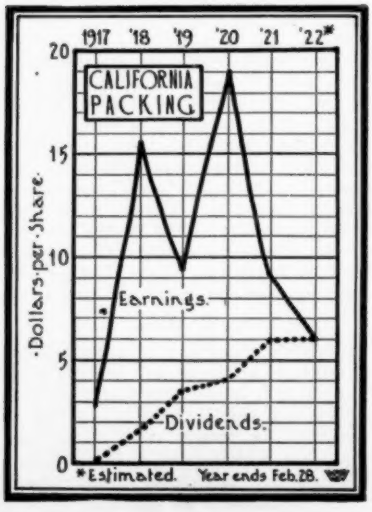
The most important single investment of the company lies in the control of the Alaska Packers' Association, through ownership of 80% of the stock. The various brands of the company are known all over the world, the most popular being the Del Monte brand of canned fruits and vegetables and the Argo brand of canned salmon. *It is important to note that these brands are not capitalized, although they represent an asset of very great value. Good-will, trade-marks, brands, etc., on which many companies are inclined to put a fancy value, find no place on California Packing's balance sheet.*

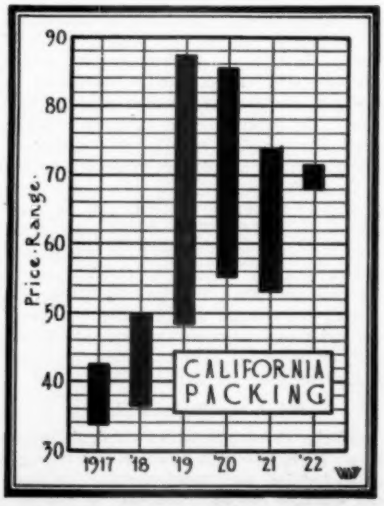
Working Capital

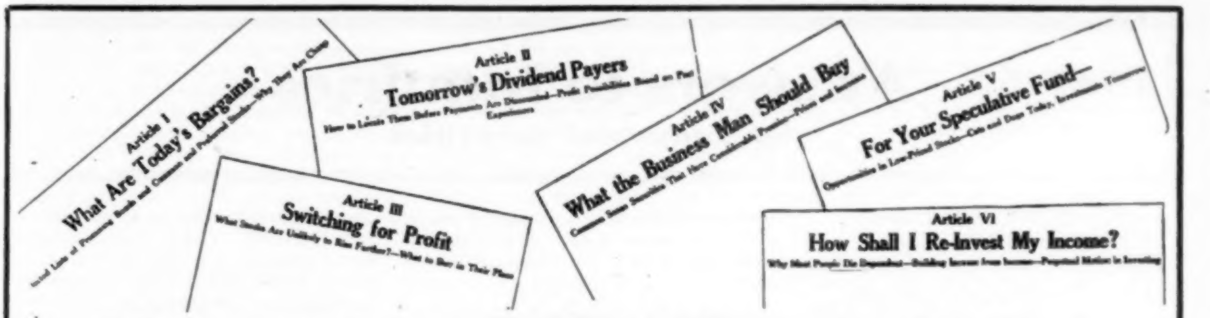
From November, 1916, to February 28, 1921, total earnings on the common stock were $57 a share, of which only $16.75 was paid out in dividends. While some of these surplus earnings have gone into new plants, the greater part went into working capital. At the present time working capital is in the neighborhood of twelve million, as compared with a little over five million when the company was organized.

The state of California is probably the greatest vegetable and fruit growing center in the world, and the industry has grown from an output of 7,000 cases in 1863 to 17,000,000 cases at the present time. California Packing is localized only in the field of production. Distribution is international. The company is now developing the largest peach ranch in California, which is expected to yield sufficient fruit to pack 1,000,000 cases from this ranch alone. Another ranch of approximately 4,000 acres has been planted to asparagus, and when this comes into full bearing it

(Continued on page 506)







How to Invest Profitably Today

A Series of Six Articles

ARTICLE IV

What the Business Man Should Buy

Common Sense Securities That Are Reasonably Safe and Offer a Reasonable Return

VARIOUS classes of investors approach the investment problem from various angles. What may prove a desirable type of investment for one individual may be opposed to the best interest of another individual. Were all classes of investors on the same plane, and were they all influenced by the same conditions, it is obvious that the investment problem would indeed be simplified to terms which even a child could understand. In that event there would probably be no need for magazines of this description.

But this is not the situation. After all, the problem of investments is an individual problem. While there are a few basic principles which apply to every investor, the application of those principles, becomes an individual affair, and therefore the problem must be solved anew with each new investor.

Different Viewpoints

It is obvious that the widow with her total worldly possessions of a few thousand dollars has an entirely different investment problem to contend with than the business man with an income from business ranging anywhere from $5,000 a year upward. To the former, who may have no other source of income, the protection of her principal is of paramount consideration. If she loses that, she loses everything. When she invests her slim fortune, it must be with the idea of securing the safety of her capital, at the same time receiving a moderate income therefrom. The latter, however, is not the most important consideration.

An active business man is in an entirely different position. Should something happen to his investments, he still has his business to fall back on. On account of this very circumstance, he is entitled to take somewhat greater risks with his investments for the sake of a high return and possibly large profit on his initial investment. The question of safety of principal—though it is a factor in the situation—does not exist to the same extent as in the case alluded to above. Therefore, two separate investment problems have been created. However, it is not the province of this article to suggest the methods under which widows or similarly dependent individuals should proceed with regard to their investments, but to suggest methods of investment to actively engaged business men.

Two Principal Factors

Let it be granted in the first place that there are three main considerations in investment: (1) safety of principal and income, (2) the amount of income, and (3) profit possibilities. The business man *should take* all three factors into consideration, but the latter two are of the greatest practical importance. The question of safety of principal is somewhat minimized in the instance of the active business man and should be, because he is in a position to sacrifice this requirement for the sake of securing the utmost yield and possible profit. Therefore, the ordinary "business man's investment" always has a speculative tinge, though this may be modified so that its existence may barely be recognizable. The latter will depend on entirely individual circumstances surrounding individual securities. In any case, however, the point is that the business man is in a position to take certain speculative chances with his investments.

This should not be taken to mean that the business man should place the total amount of his free funds in entirely speculative issues. No individual is warranted in taking such a reckless course. But he may reasonably place a part of his funds in such issues, provided there are sound reasons for so doing.

More simply, the business man should diversify his holdings among good securities which are reasonably safe and which at the same time offer a high return, in addition to reasonable expectations of profits. By diversifying his holdings in this way, he has ample assurance that his funds will be at least reasonably protected and, in addition, he gains an opportunity of adding to the value of his original capital.

Type of Business Men's Investments

BONDS	Price	Approx. Yield
St. Louis-San Francisco Prior Lien 4s, 1950	68½	6.42
St. Louis Southwestern Cons. Mtg. 4s, 1932	71⅞	8.19
Southern Railway General Mtg. 4s, 1956	62	6.90
Hudson & Manhattan Rfdg. 5s, 1951	76	6.75
Intr. Rapid Transit 5s, 1966	62	8.25
Int. Mercantile Marine 6s, 1941	92	6.15
Goodyear Tire 8s, 1941	112	6.82
American Writing Paper 7s, 1939	81⅛	9.15
American Cotton Oil 5s, 1931	81	8.00
Wilson & Co. 6s, 1941	94⅝	6.40
STOCKS		
Canadian Pacific	122¾	8.1
Union Pacific	127⅛	7.9
Reading Common	72	5.6
California Petroleum pfd.	85¾	8.1
Int. Motor Truck 1st pfd.	72½	9.7
U. S. Rubber pfd.	100	8
Allis-Chalmers pfd.	91½	7.6
Bethlehem Steel B.	60¼	8.3
Hupp Motor	12½	7.8
Peoples Gas	68⅝	7.3

Type of Securities

A business man's investment may consist either of bonds or stocks or both. There is no set rule to follow. Where there are opportunities to secure a comparatively high return, and profit possibilities, and at the same time the safety factor is not entirely ignored, this may be said to constitute a true business man's investment. It may be a bond and it may be a stock. The form of the security in this instance, does not matter.

For example, California Petroleum preferred is an excellent business man's investment. Another good business man's investment is Hupp Motor stock. Still another is St. Louis Southwestern consolidated mortgage 4s of 1932. Here we have three different types of securities. The first is a preferred stock, the second

(*Continued on page* 509)

Answers to Inquiries
On Industrial Securities

HIGH GRADE INVESTMENTS
A List Yielding 5½%

Will you kindly let me have a list of good investments, either short or long term, on which the annual yield will be 5½% or more. I only want such investments as you regard as strictly high grade.—K. A. H., New York City.

As per your request, we take pleasure in giving you below a list of bonds which we think are safe and believe will answer your requirements:

	Present Price
United Kingdom 5½s—1937	96
Canadian 5s—1931	94¾
Japan 4% sterling loan—1931	72
Kingdom of Denmark 6s—1942	94½
Lehigh Valley collateral 6s—1928	101
Southern Ry. 1st cons. 5s—1994	88
Union Pacific 6s—1928	102
New Orleans Terminal 4s—1953	73
Pere Marquette 1st mtge. 5s—1956	89
Southern Pacific collat. 1st 4s—1949	79
Term. R. R. Assn. of St. Louis refd. 4s—1953	79
Ill. Central collat. trust 4s—1953	79
Pacific Gas & Elec. gen. refd. 5s—1942	89
Amer. Tel. & Tel. collat. trust 5s—1946	92¼
Nebraska Power Co. 1st 5s—1949	90
Duquesne Light Co. 1st collat. 6s—1949	101
Montana Power Co. 5s—1949	93
Armour & Co. real estate 4½s—1939	87
Cosden & Co. 6s—1932	99
Atlantic Refining Co. deb. 6½s—1931	103
International Mercantile Marine 6s—1941	90
Liggett & Myers deb. 5s—1951	92
International Paper 5s—1947	88
Adams Express Co. 4s—1948	75
U. S. Rubber Co. 5s—1947	86½

ALLIED CHEMICAL
Strong Financial Condition

As a holder of Allied Chemical common I would appreciate your opinion of the company. What about foreign competition?—S. A. W., San Francisco, Cal.

Allied Chemical & Dye Corp. was incorporated December, 1920, and controls through stock ownership the General Chemical Co., the Solvay-Process Co., the Semet-Solvay Co., the Barrett Co., and the National Aniline & Chemical Co. The company controls over 90% of the securities of these companies. The consolidated income account of these companies for the year ended December 31, 1920, showed earnings equal to $6.33 per share on the common stock of the Allied Chemical. This company is in very strong financial condition, with a working capital of about $70,000,000. The stock at the present time is paying dividends at the rate of $4 per share per annum. While it is true that foreign competition is bound to affect certain portions of this company's business, the major part of its business cannot be very much affected by European competition and we regard the stock as having fairly good possibilities at present levels. It is a speculative stock, however, and we would not favor it for permanent investment.

NATIONAL FIREPROOFING
Building Boom Would Benefit

Please advise me the last quotation on National Fireproofing common stock, also your opinion as to future market for this issue. I bought this five or six years ago at 10½.—S. M. F., Breckenridge, Tex.

National Fireproofing Company for the year ended December 31, 1920, earned 4.4% on the common stock. This was an important improvement, for in 1919 the deficit was $234,936, and in 1918 the deficit was $94,160. The balance sheet as of December 31, 1920, showed a working capital of $2,154,000. A dividend of 50 cents a share was paid on the preferred stock December 16, 1920. The last previous payment was 50 cents January 15, 1915. The preferred stock is non-cumulative, so there are no back dividends to be made up. The common stock is now selling between 6½ and 7. Believe it would be advisable to hold this stock, for the outlook for this company appears to be fairly good. There is undoubtedly a great shortage of houses in the United States, and it looks as though there will be a big building boom in 1922. This would be of great benefit to the company as its products are all used in the building trade.

A $5,000 INVESTMENT
Securities with Possibilities

I will probably be looking shortly for some good sound investment in which to place $5,000. Would appreciate your advice. I don't necessarily want gilt edge securities as anyone can pick those out, but something that has a good chance of appreciating in value and appears to be in a reasonably strong position.—F. M. W., Clendennin, W. Va.

For the investment of $5,000 in "some good, sound investment," we suggest the following bonds and preferred stocks. They are not gilt edge securities, but are in a strong position:

Chile Copper 6s, due 1932, price 84½, yield 8.15.

Packard Motor 8s, due 1931, price 100, yield 8%.

Hudson & Manhattan refunding 5s, due 1957, price 74½, yield 6.95.

Allis-Chalmers 7% pfd., price 87.

General Motors 7% debenture, price 82.

ELECTRIC STORAGE BATTERY
Has Good Possibilities

Some time ago I made an investment in 150 shares of Electric Storage Battery at $70 a share. Do you believe the recent big advance has discounted the improved outlook for the company, or would you hold on for a while longer.—L. W. F., Germantown, Pa.

Electric Storage Battery Company we regard very favorably. The company has shown an excellent earning power over a long period of years, and as its dividend policy has been conservative it has built up a very strong financial condition. Working capital as of December 31, 1920, was $17,600,000, whereas in 1914 it was only $3,200,000. This is a remarkable increase when it is considered that during this period the company only increased its capitalization $2,000,000. While the stock has had a substantial advance recently, at present price of 125 it has excellent possibilities of going to still higher levels.

FORD MOTOR OF CANADA
An Attractive Motor Speculation

I am contemplating the purchase of stock in the Ford Motor of Canada. What do you think of it?—M. A. S., Minneapolis, Minn.

Ford Motor of Canada, Ltd., produced 46,832 cars for the year ended July 31, 1921, and 3,063 tractors. Net profits were $2,368,407, as against $4,696,243 in the previous year. The company has the exclusive manufacturing and selling rights on the Ford automobiles throughout the British Empire, with the exception of England, Ireland and Scotland. Present capacity of the plant is about 60,000 cars per annum. There is $7,000,000 in stock outstanding, par $100, no bonds. The working capital of the company as of July 31, 1921, was approximately $11,000,000. This company has shown an excellent record of earnings in the past several years and we believe the stock can be regarded as an attractive motor speculation.

F. W. WOOLWORTH
Should Profits Be Taken?

I am holding at the present time 13 shares of F. W. Woolworth common which cost me $1,160. By selling now I would make a profit of approximately $500. In view of the fact that the stock at its present level yields only a fraction over 6% I believe it is not likely to go very much higher. I have been thinking of switching into some good preferred stocks like Kelly-Springfield Tire and American Smelting & Refining preferred. Do you consider it better to hold on to Woolworth common or make a switch as suggested?—W. J. F., Careyhurst, Wyo.

F. W. Woolworth came through the period of depression in very good shape and we regard the stock favorably. It is, however, in our opinion more speculative than Kelly-Springfield Tire preferred and American Smelting preferred, and a switch into one of these two might be a wise move. We wish to say, however, by holding your Woolworth you are quite likely to make a larger profit than by switching into the preferred issues mentioned, but your risk is somewhat greater.

CALIFORNIA PACKING
Inventories Worked Off

I would like to ask your advice in regard to California Packing. I hold stock in this corporation purchased at 65. It is now quoted around 69. Would you advise switching into something else, or holding for a further rise? In your opinion are the dividends reasonably safe?—N. M. E., Marfa, Tex.

California Packing for the year ended February 28, 1921, earned $9.01 on its common stock, as against $19.01 in 1920. While the company had inventories of about $11,000,000 on February 28, 1921, it was very successful in getting rid of its goods and it is understood that this entire

inventory was worked off at a substantial profit. In view of this favorable development it is good opinion that dividend is secure, although a common stock of this kind must always be regarded as semi-speculative. The progress this company has made in recent years indicates a very efficient management, and although the stock has had a good advance we believe it a good security to hold and would not advise switching.

AMERICAN SNUFF

Attractive Speculation

As a result of a recent short article in your interesting and educative magazine, to which I have subscribed for a number of years, I am considering the purchase of some American Snuff stock. Can you give me any information regarding earnings and present financial condition? Is the company well established in its field?—H. A. J., Long Island City, N. Y.

The American Snuff Co. has outstanding $3,952,800 6% non-cumulative preferred stock and $11,000,000 of common stock, on which the present rate is 11% annually. The last balance sheet available as of December 31, 1920, showed a working capital of $6,334,296. No statement of operations has been made for the year 1921, but the average earnings on the common stock for the seven years, 1914 to 1920, inclusive, was $13.42 a share.

The company occupies a dominant position in its field, and, due to its able management, its past earning record, and the improved outlook for industry in general during the coming year, we would consider the stock an attractive business man's speculation.

GERMAN MARKS

An Undesirable Speculation

Some time ago I put a considerable amount of money into German marks paying on an average over two cents. I would like your advice as to the best way to get my money back.—G. N. E., Mount Joy, Pa.

We have written in our MAGAZINE on a large number of occasions advising our subscribers against purchasing German marks. This currency is purely a gamble in our judgment, and it is quite a mistake to suppose that it has a chance of getting back somewhere near normal. Germany is in a position to flood the market with this paper and so long as investors and speculators are willing to buy it, we expect to see further inflation.

We know that our advice comes rather late to you, but the mark has rallied from around .30 to above .55, and on any further bulge to around 1 cent we would be inclined to sell.

In future you might ask us before taking on speculations of this nature. Only by inquiring first can we be of help to you. We are sorry indeed that there is little we could suggest to save your loss.

AMERICAN DRUGGIST SYNDICATE

A Switch Suggested

I hold some American Druggist Syndicate stock, but it doesn't seem to do anything in a market way and I thought I would ask your opinion as to whether I should keep it for an advance or sell out and buy something with a better chance to move up?—K. E. J., Oconto, Wis.

American Druggist Syndicate for the year ended December 31, 1920, earned 31c. a share on its stock, as against 15c. a share in 1919. For the first six months of 1921 the company reported a deficit of $741,340. The poor showing was largely due to loss

(*Continued on page* 513)

Industrial ***Oil*** ***Mining***

Investors' Indicator

Current Earnings—Dividends—Working Capital

	Dollars Earned Per Share in 1921					Present Dividend Rate†	Recent Price	Yield on Recent Price %	Remarks
	First Quar.	Second Quar.	Third Quar.	Six Months	Nine Months				
Industrials—									
Allis-Chalmers	1.89	1.34	0.50	...	3.74	4	43	9.3	Working capital, $24,000,000.
Amer. Druggists' Syndicate	...	...	...	def.	...	...	6	..	Six months' deficit, $741,340.
Am. Hide & Leather pfd	def.	2.00	1.60	...	def.	none	61	..	Nine months' deficit, $757,858. Working capital, $5,000,000.
American Locomotive com.	...	...	...	12.10	...	6	107	5.6	Working capital about $40,000,000.
Butterick Co.	...	...	...	8.99	...	...	30	..	
Central Leather	def.	def.	def.	...	def.	none	32	..	Nine months' deficit, $12,838,586.
Coca Cola	0.90	1.90	2.20	...	5.00	4	43	9.3	Bottling suits settled.
Colorado Fuel & Iron	1.59	def.	def.	...	def.	...	26	..	Nine months' deficit, $579,094.
Consolidated Textile	...	...	...	def.	...	...	14	..	Six months' deficit, $673,777.
Corn Products com.	1.70	1.88	3.06	...	7.64	6	103	5.8	Working capital about $30,000,000.
Endicott Johnson	...	...	...	4.29	...	5.00	79	6.3	Working capital, $20,000,000.
Famous Players	6.42	6.60	4.42	...	17.44	8	80	10.0	Working capital, $10,000,000.
General Motors	...	...	...	0.31	...	...	9	..	Working capital, $125,000,000.
Gulf States Steel	...	...	...	...	def.	...	70	..	Nine months' deficit, $392,806.
Internat. Motor Truck com.	def.	0.89	def.	...	def.	...	31	..	Nine months' deficit after preferred dividends, $300,000.
Lackawanna Steel	0.01	def.	def.	def.	def.	none	48	..	Nine months' deficit, $2,709,295.
Pierce Arrow pfd	def.	def.	def.	def.	def.	none	35	..	Nine months' deficit, $4,000,000.
Republic Iron & Steel com.	def.	def.	def.	def.	def.	none	54	..	Nine months' deficit, $3,939,972.
Stewart-Warner	...	...	...	...	1.59	2	27	7.4	Working capital, $6,000,000.
Stromberg Carburetor	...	...	...	0.66	...	none	30	..	Working capital, $1,000,000.
Studebaker com.	2.23	6.83	6.15	...	15.21	7	89	7.8	Working capital, $30,000,000.
U. S. Steel com.	1.80	0.35	def.	...	2.03	5	86	5.8	Net in September $2,100,000 higher than in July.
Vanadium	...	...	...	def.	...	...	34	..	Six months' deficit, $64,204.
Oils—									
Caddo Central	...	...	...	def.	...	...	11	..	Six months' deficit, $228,668.
California Petroleum	3.72	4.07	1.63	...	9.42	...	47	..	Working capital, $2,650,000.
Cosden & Co.	...	...	...	2.71	...	2.50	34	7.3	Earnings before depreciation.
General Asphalt	...	...	...	def.	...	...	58	..	Six months' deficit, $911,557. Working capital, $2,850,000.
Houston Oil	3.00	0.89	0.90	...	4.79	...	75	..	Earnings before depreciation, but do not include lumber sales.
Island Oil	0.53	0.02	0.06	...	0.61	...	3	..	Properties in Mexico.
Mexican Petroleum	...	...	...	17.50	...	12	113	10.6	Net current assets, $14,000,000.
Middle States Oil	...	...	...	2.06	...	1.20	12	10.0	Earnings before depreciation.
Pacific Oil	1.43	1.42	0.94	...	3.79	3.00	46	6.4	Earnings after depreciation.
Pan-American A.	...	...	...	6.07	...	6	52	11.5	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	...	...	...	def.	...	...	10	..	Six months' deficit, $2,348,133.
Sinclair Consol.	...	...	...	.60	...	...	19	..	Net current assets, $50,000,000.
White Oil	...	...	...	.37	...	...	9	..	Earnings before depreciation.
Mining—									
American Smelting	...	...	...	def.	...	...	47	..	Six months' deficit, $3,203,966.
American Zinc pfd	def.	def.	def.	def.	def.	...	30	..	Nine months' deficit, $148,330.
Chino	def.	def.	def.	def.	def.	...	26	..	Six months' deficit, $357,746.
International Nickel	...	...	...	def.	...	...	13	..	Deficit six months ended Sept. 30, $696,188.
Nevada Consolidated	def.	def.	...	def.	...	...	15	..	Six months' deficit, $725,492.
Ray Consolidated	def.	def.	...	def.	...	...	15	..	Six months' deficit, $551,505.
Utah Copper	def.	def.	...	def.	...	2	64	3.1	Six months' deficit, $534,057 before com. divs.

†Dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are indicated in foot notes.

Building Your Future Income

The Steps that Lead to Financial Independence

SAVINGS—The kind that start with a dollar a week and develop into fifty or a hundred a month.

* * *

Banks throughout the country now accept deposits of this kind and pay regular interest upon them.

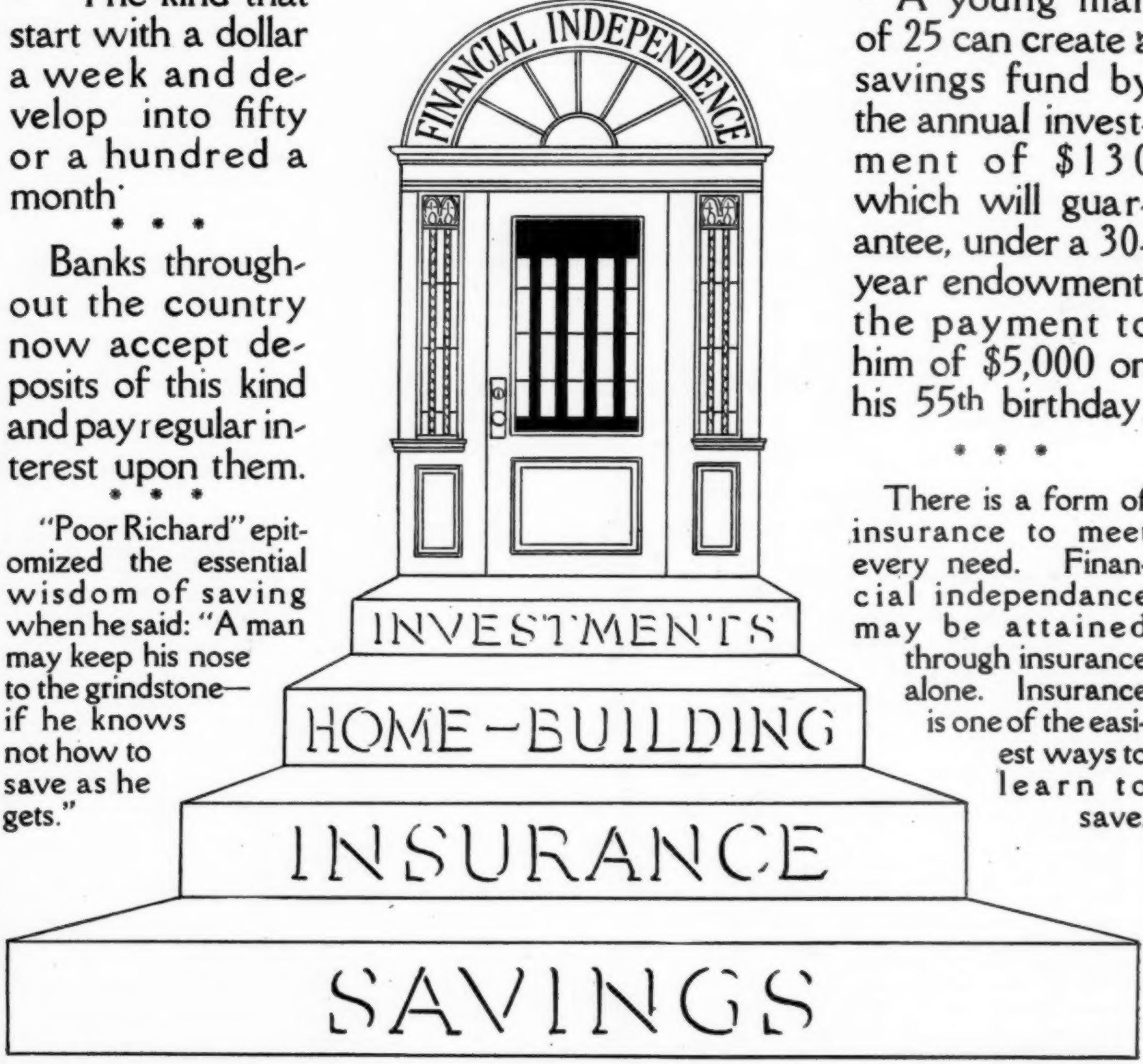
* * *

"Poor Richard" epitomized the essential wisdom of saving when he said: "A man may keep his nose to the grindstone—if he knows not how to save as he gets."

INSURANCE—A young man of 25 can create a savings fund by the annual investment of $130 which will guarantee, under a 30-year endowment, the payment to him of $5,000 on his 55th birthday.

* * *

There is a form of insurance to meet every need. Financial independance may be attained through insurance alone. Insurance is one of the easiest ways to learn to save.



HOME-BUILDING—No man who can afford to pay rent is too poor to own the home he lives in. There is a type of home to suit every purse. Rent receipts are good to start fires with; but you can borrow money on a deed.

* * * * *

INVESTMENTS—Careful investing is the quickest route to financial independence. Twenty five dollars a month, regularly invested at 7%, with yearly returns re-invested, becomes nineteen thousand dollars in 25 years.

How to Diagnose the Financial System's "Case"

Symptoms That Point to Probable Developme nts—What Commodities Are—"Nerves" and Stock Prices

THE physician who is called upon to diagnose a case first sets about to localize the disease by determining its symptoms. Knowing that a healthy man will live up to certain qualifications—a good appetite, for example, or a normal blood circulation, or no unusual nervousness—he searches for the particular one of these evidences of normality which is lacking. Having discovered it, he notes it as a "symptom" and pursues his investigation along the lines which that particular symptom suggests.

The investor must be something of a financial physician when it comes to handling funds, as he frequently has to diagnose the condition of the financial system. And his diagnosis may well be made along similar lines. He may measure the system's "appetite" by the public demand for goods; its "circulation" by the balance between production and sale of goods; its "nervous condition" by the general trend of confidence in security values. Finding the system below, or above, normal in any of these respects, the investor may note this disparity as a symptom; and experience will teach him how, when displaying such a symptom, the system's case is likely to develop.

Gauging the System's "Appetite"

To gauge the system's "appetite" there is, probably, no better index than the figures on demand for steel. Steel, the basic product, comes close to being the most important product in the world's markets. It is essential to the expansion of practically any industry, as well as to its maintenance. When the demand for steel is normal, it follows that the financial system's "appetite" is normal. Abnormality here is a symptom either of unusual opportunity or of danger.

The most accurate conception of the demand for steel is contained in the figures on Unfilled Tonnage as issued officially, about the middle of each month, by the United States Steel Corporation. The corporation does, by far, the largest business of any factor in the industry. In fact, it produces what is probably a good 50% of the country's total output of the metal. The ebb and flow of the corporation's fortunes are those of the industry itself.

How close an index the tonnage figures are of normality, or its opposite, is shown by the record of recent years. Thus, in 1914, when business conditions were unfavorable, tonnage, expressed in millions of tons, declined from 5¼ to 3½. The following year, carrying the first fruits of the war-boom, saw unfilled tonnage sweep up from 4 to 7. In the next two years—periods of intense activity in business—the unfilled tonnage figures continued their advance, reaching a high of well over 12.

From 1917's peak, there was a startling collapse to a trifle above 3, once more. The following year—the year of high hopes that were destined to be rudely disappointed—another sensational advance took place to well above 11. Since then, there has been a long, slow, steady decline, culminating in recent figures of 4¼, or almost 7,000,000 tons less than in this period of 1920!

[An interesting graphic chart of the course of unfilled tonnages since 1914 appears in alternating issues of THE MAGAZINE OF WALL STREET, together with illuminating comment by H. Parker Willis, the noted economist. The chart will next appear in the February 18th issue.]

The Financial System's "Circulation"

The unfilled steel tonnage has been referred to as a good index of the system's "appetite"—for goods.

From there, it is worth while to consider another index which may be said to reflect the system's "circulation"—that is, the balance between supply of and demand for goods.

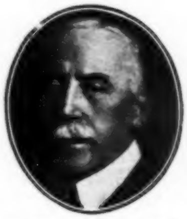
That index is the *Bradstreet* index on Commodity Prices. The figure is based on the cost of no less than 96 basic commodities and is, therefore, as near to being "standard" as it could be. We say it reflects the industrial "circulation" because: An excess of production will result, inevitably, in a decline in commodity prices; an excess of demand will result in an advance.

Commodity prices are, not infrequently, confused with food prices. Of course, this should not be. Pig iron, gold, silver, asbestos—any basic product, even any "movable article of value"—all these things are commodities, just as much as wheat and corn and oats.

Bradstreet's Commodity Price index is also pictured in graphic form in alternating issues of THE MAGAZINE. It is interesting to note that, back in the normal, pre-war year of 1912, the approximate commodity price average stood at 9. In the hectic war times—when the system's "blood pressure" was dangerously high—it soared up to close to 21. In the disillusioning

(Continued on page 505)

Lives of Great Men



"God give us men: the time demands strong minds, great hearts, true faith and willing hands."

JAMES A. FARRELL
President, U. S. Steel Corporation

A. C. BEDFORD
Chairman, Standard Oil Co. (N. J.)

SOME forty years ago, it was "Jimmie Farrell," working as a common laborer in a steel wire mill. Today, it is "President James A. Farrell," controlling the destinies of the United States Steel Corporation. The two jobs and the two titles are very different; but the man has not changed.

Farrell's hold on the public imagination lies in his superhuman intellect. His testimony before a Congressional Committee was that intellect's greatest demonstration.

His hold upon those who know him, however, is the man.

Meet him and you will be impressed, first, by snow-white hair and eyes as blue as finely tempered steel. But the power of concentration, the inexhaustible mental energy, the driving force that built up this country's export steel business are what will form the impression that you will carry away.

It is when someone protests, for the billionth time, "What we need is more business in Government," that the imagination naturally turns to the achievements of James A. Farrell.

OCCUPATIONS are no measure of the man. They reflect circumstances and available opportunity.

Thus, A. C. Bedford's original occupation—clerk in a wholesale drygoods establishment—was only the available opportunity at the time he started out. It was in no way a reflection of his talents or his ability.

Bedford, the boy, was broadly educated. He studied in this country, in England, in Germany and in Switzerland.

Bedford, the man, was widely experienced. He sought business knowledge; and he obtained it through a wealth of activity, which carried him to the foremost position in one of America's greatest corporations—Standard Oil.

Meeting him, you will speedily discover the breadth that overturned the Standard's one-time policy of secrecy; the shrewd vision that contributed so largely to the old corporation's successful dissolution; the foresight that has kept America dominant in an essential industry.

Studying his life, you will attribute his success to application.

Hard Knocks—and What They Taught Me

Rules Drawn Up After Series of Bad Investments

By "I. M. WISER"

RUSSELL SAGE is credited with saying that the young man who seeks bargains in socks will some day be seeking bargains in stocks.

The quotation sums up the writer's experience.

Whatever small measure of success I have had as an investor has been due not so much to assiduous saving as to wise spending. I became a good investor by being a good buyer.

The First Investment

My first investment was in the panic of 1907. I had $500 loaned to a brother. With it I purchased 7 shares of Southern Pacific at around 74. I still have those 7

shares and have received a check for $10.50 every three months since—a total of more than I paid for the stock. Southern Pacific has sold as high as 138 but never below the figure at which I purchased it.

About the same time I bought with savings 8 shares of Central Leather preferred at somewhere in the 60's. A few years later I sold this at par and put the money into 10 shares of American Can preferred, then around 75 and paying 5%. With savings I soon after purchased another 10 shares at around 85.

To date this has been the most profitable investment I have made. The full 7% dividend was soon re-instated and in 1913 accumulated dividends of 24% were paid. In all I have received over 33% back dividends in addition to the regular 7%. From an investment of about $1,600 I have been paid over $2,000 to date in dividends and the stock even in the present depressed market is worth $10 a share more than I paid for it.

Real Estate Transactions

In 1911 I invested $750 in a lot in an outlying section of Chicago, borrowed $2,200 to build a house on it and sold the house the following spring at a profit of $500 on the transaction. I promptly purchased another lot and built another house. This was slower to sell but was eventually disposed of at a small profit. I found I was not temperamentally fitted for so speculative a form of investment, so the second house ended my ventures into real estate except when in 1912 I married and purchased a home.

For this property I paid $5,725. In the present market it is conservatively worth $12,000. An architect has advised me to ask $15,000 for it in case I offer it for sale.

Other Profitable Purchases

In 1918 I purchased a Dallas Light and Power bond which was called about a year later at 100½. I had paid 97 for it.

The same year I bought 1,000 Central Argentine 6s at 80. This bond has advanced about 4 points. In 1919 I bought 1,000 Morris & Co. 1st 4½s at 87½. This bond has fallen considerably in price. In December, 1919, I bought 10 shares of D. & H. at 92. This has since advanced to around 106 and I have received 9% annual dividends—a return of nearly 10%, besides the appreciation in value.

My last stock investment was 1 share of S. O. of N. J., for which I paid the high price of 814. At present this shows a big loss, but eventually stockholders should benefit by some distribution of the huge surplus of this king of corporations.

Some Hard Knocks

Now for some investments of which I am not so proud:

My first bump was when I put $1,000 in a People's Portland Cement 1st mortgage 7. I was then working for an advertising agency that handled the advertising of that company. On advice of the treasurer of the agency I invested in this weak sister, receiving in addition to the bond $5,000 in common stock of the company—a bait that proved irresistible. For my $1,000 I received six months' interest of $35—nothing more! The concern blew up and neither bondholders nor stockholders ever got a penny.

Trying to be a banker next proved disastrous. I lent a friend $750 on a mining stock collateral. The stock proved worthless and so did the friend.

My next loss was a flyer in Un Box Bd taken on the advice, please note, of a Chicago bank president! I bought 30 shares at 14 and was glad to sell out at 2⅞.

My latest and, I hope, last "knock" was an investment of $1,000 in Globe Oil 7s. These bonds are now in default and the company is in the hands of a receiver. There is said to be enough equity to pay off these notes, so this investment cannot all be charged off as a loss.

What I Have Learned

Next to cultivating the habit of careful buying, reading has been my greatest help to successful investment. I have made it a point to read every-

(*Continued on page* 504)

What Books Shall I Read?

Four Specific Recommendations as a Starter—Why They Will Appeal

By THE LIBRARIAN

"Reading maketh a full man; conference a ready man and writing an exact man."

BROWSING around a financial library one finds book after book that has a direct appeal to the investor.

For example, consider a certain four, viz., "Money and Investments," "Economic Development of the United States," "Financial Independence at Fifty" and "Wealth."

The first, "Money and Investments," is one of the most popular books on finance ever published. The volume on our shelf contains the record of seven printings. The author, Montgomery Rollins, dedicated the book "to those of small fortune and who are dependent upon the wise investment thereof"; and he then proceeded to fill the volume with the one thing small investors want and need most—plain, understandable interpretations of financial terms, and equally plain descriptions of financial processes.

"Economic Development of the United States" deserves careful reading for its analysis of the important steps that have led up to our financial and industrial systems as now constituted. The writer, Isaac Lippincott, has scored an achievement by tracing a huge and complicated development in an intensely interesting and readable fashion.

"Financial Independence at Fifty," the book by Victor de Villiers which has become famous since its first printing in 1919, combines practical suggestion and inspiration to a truly remarkable degree. Especially remarkable, in view of the supposedly heavy subject matter involved. It is a book that will wake up the sleeping investor and meet the requirements of the active investor.

As the fourth book in your set, this librarian would suggest "Wealth," a book which, strangely enough, lives up to the notice on its fly-leaf: "To explain in a lucid and popular manner the fundamental factors in the Production of Wealth and the causes which regulate its Distribution." It is a book for those about to take their first plunge into the sea of economics. It will be found refreshing, and not over one's depth.

A LIST TO START WITH*

	Prepaid
Money and Investments. By Montgomery Rollins...........	$3.10
Economic Development of the United States. By Isaac Lippincott, Ph. D........	$2.60
Wealth. By A. W. Kirkaldy, M. A., B. Litt.	$2.35
Financial Independence at Fifty By Victor de Villiers..............	$2.10

*Obtainable direct from publishers or through "The Magazine of Wall Street."

Would You Like to Own This Home?

Why Not Build It Then?

Approximate Cost—$12,000

Cash Required —$3,000

Actual Carrying Charges (Appx.) Per Month —$95.50

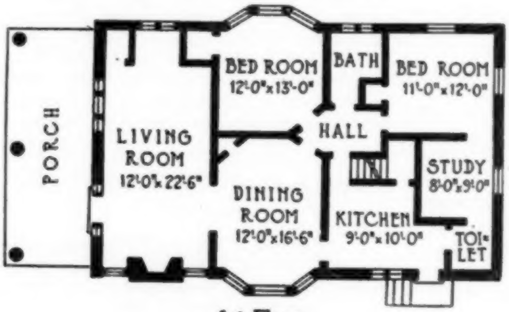
IN the January 21st issue of "Building Your Future Income" it was said in effect: "The only sort of encouragement that may lead a man to build his own home is a full and complete statement of (1) the cost of building a home, and (2) the cost of maintaining it. There was then shown a picture of an attractive low-priced bungalow; a description of the materials used in its construction; the architect's estimate of its cost; and finally, a very brief summary of the fundamental carrying charges.

This article is the second gun of the campaign. This time we show a somewhat more elaborate home. Instead of wood-construction it is stucco. Instead of being a $3,000-establishment, the construction will probably come nearer $8,000.

Now for the essentials:

Why Stucco?

The stucco idea has many attractions. The initial cost is comparatively low. The material is, in itself a fire protection. Painting—the bane of home-owing—is side-stepped, completely so if asbestos shingles are used for roofing. An interesting book on the subject, written by Mr. Samuel Warren, technical engineer of the Atlas Portland Cement Co., describes the material as follows: "The modern stucco is a mixture of Portland cement, sand and water, mixed to a plastic mass and applied, while still soft, to the surface to be covered, in several layers, usually three in number. These layers, or coats, bond to each other perfectly, and form a uniform and homogeneous sheet of stucco at least an inch thick over the entire surface. Soon after application the stucco commences to harden and after an interval of a few days it becomes a hard, rock-like mass — durable and permanent—unaffected by the atmosphere."



1st Floor

HOW TO FINANCE IT.

Stucco house (30x50) to cost	$10,000
Lot (60x125)	2,000
Total cost	$12,000
Mortgages (1st and 2nd)	$9,000
Cash required	3,000

ACTUAL CHARGES.*

6% on 1st mortgage of $6,000	$360	
6% on 2nd mortgage of $3,000	180	
Total interest		$540
Amortization of 2nd mortgage (1st year)		**300
Taxes		150
Insurance		30
Coal (9 tons @ $14)		126
Total charges, per annum		$1,146
Total charges, per month		95.50

*Excepting light, gas, water; and assuming that all assessments for normal town improvements, such as sidewalks, paved streets, sewers, etc., have been paid.

**Frequently paid off, principal and interest, on monthly basis.

SAYS THE OLD TIMER:

"Rent receipts take up more room in your top dresser drawer or safe deposit box than a Deed does!"

The Cost

On the question of cost, most authorities are disinclined to be explicit. And rightly so. Said one engineer: "In the same type house, one man may install bathroom fixtures which will cost twice as much as those installed by another." Said a recent home builder, "My estimate of costs was jacked up some $500 through my wife's insisting upon hardwood floors." Says this Department, "Costs vary with the locality in which the home is to be erected; also with the tastes of the people erecting it."

However, it is possible to put an *approximate* cost on a home; and if, after determining such an approximate cost, you intentionally add about 25 per cent, you won't be likely to underestimate.

A very generous figure on the cost of the home shown here is $8,000. We add 25 per cent for good measure—although we don't see how that extra $2,000 could be required—bringing our estimated construction cost to $10,000, maximum.

We estimate the need of a plot 60 x 125. We put a generous figure on the cost of such a plot—$2,000.

This figuring gives us a total of $12,000 for land and dwelling.

Actual Charges First Year

Last issue we covered the three main items composing the carrying charges of the home shown. We purposely avoided details of complete costs for sake of brevity.

It is now time to go into costs more fully. In the case of the home here shown, let us consider the actual amount, in dollars and cents, it will cost Mr. Owner *per annum*.

On that $12,000 total cost, Mr. Owner might put a first mortgage of $6,000 and a second mortgage of $3,000. Therefore, his actual interest charges (first year) will be 6 per cent of $9,000, or $540.

Now, the second mortgage must be reduced each year. Assume a 10-year mortgage. Its amortization will call, probably, for $300 a year.

Taxes we will put slightly higher than

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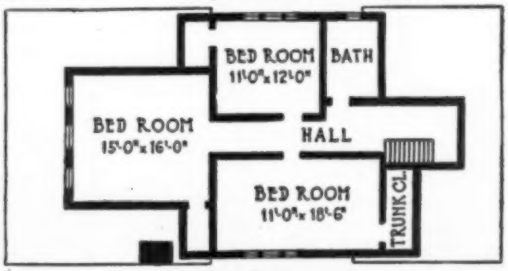
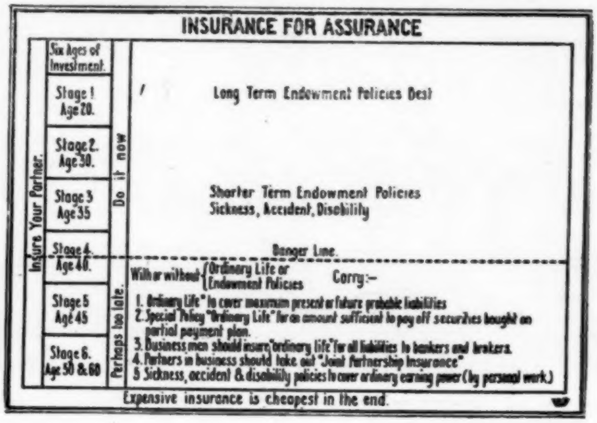


2nd Floor

Preparing for the Unexpected

How You Can Safeguard Those Dependent Upon Your Health and Wage-Earning Ability

***By* FLORENCE PROVOST CLARENDON**



GENERAL articles on thrift are scarcely needed to stimulate the saving instinct of the average reader who scans the pages of THE MAGAZINE OF WALL STREET, because all the subjects discussed therein appeal to thoughtful people who desire to enlarge their knowledge regarding conservative modes of investment. Such men already know the advantages of thrift; they recognize that during youth and health they should sow the seeds of economy which will later bring them a harvest of independence. Men of this type keep an active savings bank account through the *Receiving* Teller's window; they occasionally buy first-class bonds; they pay life insurance premiums, and live *below* their incomes. They do even more—they try to foresee and forestall those chance mishaps which a turn of fortune's wheel may unkindly bring. Such men do not take unnecessary risks, nor accept foolhardy "dares."

Caution and conservatism, however, cannot always prevent the unexpected misfortune from happening.

The prudent man of moderate income who has managed to live within his means, save a little, and carry a proper amount of life insurance for family protection, doubtless views with discomfort the thought of untimely death, for he has a natural desire to enjoy life and to achieve success during years of physical vigor. But the thought of death in early manhood does not bring the harassing uneasiness that is caused by the contemplation of permanent disability, incapacity for work, and inability to earn a living, while the invalid may live on for years, totally disabled—a constant care to his family or friends.

The intelligent man who exercises care and economy in his living expenses, and who exhibits ability and initiative in his business affairs, is likely to progress and attain success *if he continues in good health*. But if he is stricken in early manhood with some incurable disease, or meets with an accident which renders him unfit for further business activities, he is immediately cut off from the work which maintained himself and his dependents. He confronts an *impasse* which is insurmountable. His savings must be drawn upon to maintain his family; and his outlays are further increased by doctor's bills and other needs of the invalid.

Meeting the Issue

The Disability Benefit which is now granted by most of the leading "Old Line" life insurance companies meets this issue squarely. It guarantees that the insured will be protected if he becomes totally and permanently disabled. The Disability Benefit will, in effect, help the family of limited means to "carry on" when the breadwinner is incapacitated.

Most of us are familiar with sad cases of men in middle life who have broken down for one reason or another. Nervous diseases, accidents, blindness, even paralysis, befall a man in the midst of his active business career. At young ages incapacity for work from tuberculosis is especially in evidence. In this connection an illustration is pointed by an office force in this city consisting of about eighty clerks, in which three members of the clerical staff were totally and permanently disabled at the same time. These men were all in early manhood, the youngest being twenty-five years old and the eldest forty-four. Disablement was caused in the three cases, respectively, by paralysis, cancer, and tuberculosis. The annual salary of each man prior to disablement was less than $3,500; all were married and had children. While it has been stated by one authority that the average interval between disability and death is about three years, yet in the case of the three men above mentioned, one died from cancer after four years' disablement; the other two are still alive after eight years' disability in one case and twelve in the other. The possession of an insurance policy providing even a small monthly income, with the added comfort of all premium payments on the policy waived, would have been a veritable godsend to each one of the men thus stricken.

Contentment of Mind

The man who has once started building an estate by means of life insurance investment views this evidence of his self-denial and thrift with ever increasing respect and appreciation. He endeavors to keep a tenacious hold on his policy of preparedness through sickness as well as in health. He works with lighter heart and falls asleep with easier mind when he knows that should death unexpectedly overtake him he will not leave his loved ones unprotected. The Disability Benefit increases still further this contentment of mind, for it guarantees that if the investor in life insurance is totally and permanently disabled before attaining age sixty, the premiums on his policy will be waived and the protection kept in force. Still further protection under the disability provision in the life insurance policy may be secured during total disablement when the *monthly income benefit is combined* with the waiver of premiums.

The Disability Benefit is usually issued in either one of the two following forms:

(1) *With provision for the waiver of all further premiums on the policy on receipt of proof that the insured has become permanently and totally disabled; or*

(2) *With waiver of premiums and a monthly income of 1% of the face amount of the policy during permanent and total disability the first income payment becoming due on the first day of the calendar month following the date of receipt of satisfactory proof of disablement.*

When Benefits Are Operative

As above stated, the Disability Benefit is operative in the event that the insured *is incapacitated* from gaining a living *before age sixty*. After age sixty the number of men who become unfit for active and continuous work is too great to permit of the coverage extending into old age. Of course if the insured is totally and permanently disabled *before attaining age sixty*, and has entered upon the benefits of the disability provisions in his policy, these benefits will be continued *after age sixty* and for so long thereafter as disablement may incapacitate him. But thrifty men who have been able to pursue a normally successful business career until they have attained three score years do not fear old age. Granted health and peace of mind to age sixty, they may defy the buffets of Dame Fortune. By that time a man's family will be relatively independent, and he who has lived a sane and healthy life and practiced economy and thrift, will boldly face life's hazards in his sunset days. He is then the captain of his fate.

WOULD YOU LIKE TO OWN THIS HOUSE?

(Continued from previous page)

we did in our last issue. Generous then, let us be more generous now. Allow for taxes, $150 a year.

Insurance can be covered at $30.

Coal—allowing for consumption of 9 tons at $14, or more than many people burn—would require $126.

Summing up the charges reviewed above, it is seen that this home can be maintained at a cost of not more than $1,146 a year (first year).

Thus, if an intending builder likes the style, all else he needs is about $3,000 in ready cash, and an earning power that entitles him to pay out $95.50 per month toward maintenance and purchase of what, eventually, will be his own home.

Phillips Interviews Big Financiers

Gets Inside Views on "Love, Home and Money"

By **H. I. PHILLIPS**

"HOW," asked the news editor of THE MAGAZINE OF WALL STREET, "would you like to write us a special story?"

"Huh?" we asked.

"How would you like to write us a special story?" he repeated.

"On what?" we asked.

"Love-Home-Money," he replied.

"Dunno anything about love, haven't been home in weeks, and as for money just what is it? Is it still being used in this country? And if so, where and by whom?" we replied.

"It's a sort of slogan," explained the news editor. "It's in an advertisement we're running—Love-Home-Money, understand?"

"No."

"Then go ahead and write it."

"But your rates?" we asked.

"You mean, what do we pay per quart . . . er, per line, I mean?"

"Yeah."

"Well, er, you see, it's this way: we, er, that is to say er, er, . . . in regard to this subject, Love-Home-Money . . . "

"Yes, yes . . . go on!"

"Well, the fact is, I thought, er, I thought we could sort of split it up. You write the article for love. Doing this would help to keep me with a home. And as for the money, why worry about a mere detail?"

"In other words, forget the money?"

"Certainly. Dismiss it from your mind . . . —like I do. The point is that the ad writer contends that next to love and the home comes money. We hold that the strongest appeal to any man, after these two considerations, is his money. What we want is interviews from big financiers on the subject."

"Big financiers?" we repeated.

"Big financiers," he asserted again.

"No sooner saidst than didst," we replied.

* * *

(The curtain will be lowered three minutes to denote lapse of time necessary to interview big financiers.)

* * *

The Interviews With Big Financiers

No. 1—John J. McGraw

JOHN J. McGRAW. (Mr. McGraw is now one of our biggest financiers. He has just kidded the Giants into giving him a ten-year contract at something like $100,000 a year.)

"You take the love and home; I'll take the money," said Mr. McGraw. "Anyhow, I don't think the important things of life come in that order. I should put it this way: Money—Batting Averages—Base Stealing—Hits—Runs—Errors. The home run is greater than the home, in my opinion. As for love, that's a term they use in tennis and I'm a baseball man."

"But you place money first?"

"You should get a peek at that new contract of mine," he replied.

No. 2—Will Hays

WILL H. HAYS. (Mr. Hays has just become a big financier, too.)

"Love and home certainly come before money," said Mr. Hays. "There is no doubt about that. But there is nothing about either in my contract with the movie magnates. The fact is that the movie men spoke only of money when they offered me the job and as nothing was said about love and the home, I didn't think it my business to say anything about them. That isn't to say that I don't appreciate love. I love the Republican party. And as for the home, I go there quite often. *But money! . . . oh, gosh! How tempting the darned stuff is!"*

* * *

No. 3—Babe Ruth

BABE RUTH. "Love-Home-Racing Car is the way I'd put it, and they all come after the money. Love is a great thing. *For example, I love Judge Landis and Landis loves me. And as for the homer, you know me.* And there are few things in life as satisfying as a racing car. I have the car all fixed up for the coming season and expect to set a new homicide record."

"Whaddya mean, 'new homicide record?'"

"Last year I knocked down 235 pedestrians. The fans expect me to do better each season. This year I hope to knock down 250."

* * *

No. 4—Jack Dempsey

JACK DEMPSEY. (There are few better financiers in the country than Mr. Dempsey. He got $250,000 for less than fifteen minutes' work last summer. Try and beat it.)

"Love is all right," said Dempsey, "but I don't use much of it in my business. A home is a nice thing, too. For a good many years I didn't have any. Money is the big thing. You know the old saying: 'Take care of the $250,000 purses and the pennies will take care of themselves.' That's me."

No. 5—Charlie Schwab

CHARLES SCHWAB. (Mr. Schwab is a well known after-dinner speaker who has accumulated considerable money.)

"What do you think of Love, Home and Money?" we asked him.

"Fine," he replied, smiling genially. "They're all right."

"Which comes first?"

"Is this for publication?" asked Mr. Schwab.

"Certainly."

"Well, fix it up your own way. Whatever you think I ought to say, just say I said it. But don't get me in wrong."

* * *

No. 6—Henry Ford

HENRY FORD. (Mr. Ford is a prominent nitrates dealer at Muscle Shoals.)

"Put me down for Vibration-Nitrates-Home-Money-and-Love," said Mr. Ford. "And about in that order. History is important, too, but no matter."

* * *

No. 7—John D.

JOHN D. ROCKEFELLER. (Mr. Rockefeller, though not in a class with the above as a financier, has made considerable money.)

"I would put it in this order," said Mr. Rockefeller, "Oil well-Money-Love-Home. You see *if I had started out as a young man saying to myself, 'John, to attain happiness and money you must first find love,' I might not have been where I am*

today. I said to myself, 'John, go find an oil well.' And I did so. Then came the money. Soon I was so entirely surrounded by love that I had to keep an armed guard around my estate. If you want the real secret of success take this motto: 'Live up to a high STANDARD and always live So"

"So what?" we asked.

"So-cony," he replied.

* * *

BENNIE LEONARD, the next wealthiest citizen in order of importance, refused to be interviewed.

* * *

(Note to News Editor: Never mind the money for this article. I'll take a coupla homes and a volume of love essays.)

Mining

What About the Silver Producers?

Factors Operating for and Against Recoveries in Earnings—Where Silver Stocks Are Traded In

By C. S. HARTLEIGH

THE accompanying graph illustrates the trend in the price of silver in the open market during the past two years, and the price in the domestic market since the Pittman Act went into force. The temporary advantage of domestic producers of silver is apparent, but this advantage cannot last indefinitely unless the outside market price comes to the rescue before the entire amount to be purchased under the Pittman Act has been taken by the Government, or unless as some optimists would have it, the Pittman Act is extended in its operation, or similar legislation is passed.

The total amount of silver to be purchased under the Pittman Act was 208,000,000 ozs. Since May 13, 1920, 88,570,000 ozs. have been purchased under this act, of which quantity about 58,563,000 ozs. were bought by the Government during the past year. About two more years will be required to purchase the remaining 119,430,000 ozs., according to recent estimates of the probable rate of production.

THE FAMOUS SIMON SILVER MINE
Located in Nevada, and one of the country's large producers

The Beneficiaries

The most fortunate beneficiaries of the Pittman Act have been the domestic mining companies, notably those in the state of Nevada, whose chief product is silver. Those who have heretofore viewed the situation with extreme optimism, have been somewhat disappointed over the fact that the closing of the copper mines has not had the effect of greatly reducing the production of silver, for the production during 1921 is estimated at over 50,000,000 ozs., as compared to 55,360,000 ozs. in 1920, in spite of the fact that many of the large copper mines have been unable to take advantage of the situation.

This considerable production of silver was accomplished not only during a period when many of the largest copper producers, who recover silver as an important by-product, were shut down, but also during a period of depression in lead and zinc mining. The lead and zinc producers have also had a bad year, and these metals are usually accompanied by silver, often in considerable amounts. We shall soon be entering a period of increased consumption of the metals, and several of the large copper producers will resume operations within a few months. Anaconda, one of the largest producers of silver, is already in operation.

Therefore, the silver producer's hope for dollar silver—99⅝ to be more accurate—beyond the next two years, lies in decided improvement in the open market price for the metal. This market was irregular during 1921. The year opened with silver selling around 65c. an oz., on March 5 the quotation was as low as 52⅝c., and then it rose gradually to 73⅝c. on October 17. This was the high point for the year, and it has since declined to around 66c.

Production Not Increased

In spite of the fact that the average price of silver during 1921 was above pre-war levels, high operating costs deterred Canadian and Mexican producers from increasing their production.

On account of the world-wide industrial depression, India and China, both large producers of raw materials, have failed to come to the rescue of the foreign silver market with their former heavy demands. These countries were both buyers and sellers of the metal during the past year, and therefore only served to add the speculative element to the market without giving substantial support.

Rapidly changing conditions in both India and China may have a marked effect on the future silver market, and it is reasonable to suppose that it may not be as favorable as heretofore.

These countries, especially India, were absorbers of the metal in large amounts for many years.

During the war China may have hoarded as much as 200,000,000 ozs. of silver, which probably will be released on the future market as confidence in government is restored, and understanding of modern trade is developed. On the other hand, successful crop and return to prosperity in India and China will mean favorable trade balances for these countries, which in turn will require the shipment of gold and silver in settlement. India's trade balance has been more favorable during the latter half of 1921.

The Pittman Act has naturally directed to the United States Treasury much silver that otherwise might have gone abroad. This is partly illustrated by the fact that the exports of silver during the year 1921 were only about 48,000,000 oz., compared with about 117,000,000 oz. in 1920, and about 227,000,000 oz. in 1919.

Furthermore, elimination or reduction of certain European currency has released on the market considerable silver, although perhaps not quite enough to make up for the withdrawal of the American silver from the European market. For example, the 500-fine British silver coins may alone release 40,000,000 oz. of silver to the open market.

Silver Company Stocks

If the outlook is uncertain for domestic silver beyond the next two years, the same may be said of the outlook for silver mining stocks. The New York stock exchange does not present a very imposing array of silver mining shares, so far as mining companies are concerned whose chief product is silver. Batopilas and Ontario Silver would probably come nearest to falling in this class. The former is practically a dead one, having earned practically nothing and paid nothing for over ten years, and the total sales during 1921 amounted to a little more than 15,000 shares. Ontario silver owns a famous old silver-lead property in Utah. It paid a dividend of $1 in 1918, 50 cents in 1919, and has paid nothing since. It may be able to make a profit out of its remaining ore reserves, which

by the way are now rather low-grade, with silver at a dollar, but otherwise its outlook is interesting only to the extent of its liquidation value which is probably less than its present market price. Ontario silver shares sold as high as $6 during 1921, and down to $3.50, the total sales amounting to a little under 20,000 shares.

Another silver-lead ore producer listed on the New York Stock Exchange is Federal Mining and Smelting, whose common stock was active to the extent of only about 3,960 shares during 1921, with price range from $13.75 down to $5.12, and closing at $10. This company has not taken its shareholders, or the public, into its confidence since 1916, and the common stock has paid no dividend.

If we are looking for a real silver producer on the New York Stock Exchange, we must turn to Anaconda, the leader of them all, whose production in silver was 6,420,000 oz. in 1920, 6,744,000 oz. in 1919, and 10,968,000 oz. in 1918.

Cerro de Pasco and Granby

Cerro de Pasco is also an important producer of silver as a by-product. Much of its copper ore carries 5 ozs. of silver a ton, and it was stated in December, 1920, that in addition to copper ore reserves, the mine contained 18,800,000 tons of silver ore bearing over 200,000,000 ozs. of silver. In addition to this, the engineers estimate that the property may develop some 80,000,000 tons of ore, containing more than 8 ozs. silver a ton.

Granby is another important producer of by-product silver, the amount of the metal contained in its own ores averaging around 550,000 ozs. per annum. Taking into account the silver contained in custom ores treated at the company's smelter, its production of silver was 670,000 ozs. in 1919, and over one million ounces in 1920.

Zinc and lead ores often contain substantial amounts of silver, as illustrated by the case of Butte and Superior Mining Company, which in 1920 produced over 91,000,000 pounds of zinc, 7,660,000 pounds of lead, 884,000 pounds of copper and 1,812,000 ounces of silver. This company's production was very much heavier in former years, its output of silver being 2,521,000 ounces in 1919, 2,970,000 ounces in 1918, 2,680,000 ounces in 1917, and 4,127,000 ounces in 1918.

Another producer of by-product silver, that is of interest at this time because it is a low-priced stock with good speculative possibilities, is Calahan Zinc Lead, which milled 128,781 tons of ore during 1920, containing 38,000,000 pounds of zinc, nearly 19,000,000 pounds of lead, and 332,000 ounces of silver.

Curb and Boston Silvers

Many other prominent copper producers, whose shares are listed on the New York Stock Exchange, are producers of by-product silver, and the above named companies are mentioned simply as outstanding examples. However, if we are interested in looking for silver mines only, we cannot confine our search to the New York Stock Exchange list, but we must turn to the New York Curb, the Boston Stock Exchange, the Boston Curb, the Toronto Stock Exchange, and several of the western stock exchanges. Mines listed on the New York Curb that produce chiefly silver ore, include Kerr Lake, Nipissing, Ophir, La Rose, and MacKinley-Darragh. The only one of these companies to pay a dividend during 1921 was Nipissing, which distributed 95 cents a share. During the year, 110,780 shares were traded, and the price range was from $8.25 to $4.00, with a closing price for the year of 6⅝.

The company inaugurated a systematic campaign during 1919 to find additional promising properties in the United States and Canada, including mining ventures in the Cobalt and Larder Lake districts in Canada, and the development of oil properties in Texas and Kansas.

In view of the comparatively limited ore reserves available in this property, interest in its shares is more and more speculative, and long-pull prospects are fading, unless the company is able to perpetuate its existence by acquisition of important new properties in the near future.

For low-priced speculative shares of companies best known for their production of gold-silver ore, we may again turn to the New York Curb list and find Dolores, Esperanza, Jim Butler, Jumbo Extension, Louisiana Consolidated, McNamara, Tonopah-Belmont, Tonopah-Divide, Tonopah-Extension, Tonopah Mining, and West End Consolidated. El Salvador is still on the list, but the property has probably been shut down for good because the last examination of the mines revealed the fact that they contain no payable ore. The 1,621,000 shares traded in last year probably represent liquidation on the part of stockholders who were bidding it good-bye. Only three of the properties named in this list paid dividends during 1921, namely, Tonopah-Belmont with a distribution of 10c. a share, Tonopah-Extension 20c., and Tonopah Mining 10c.

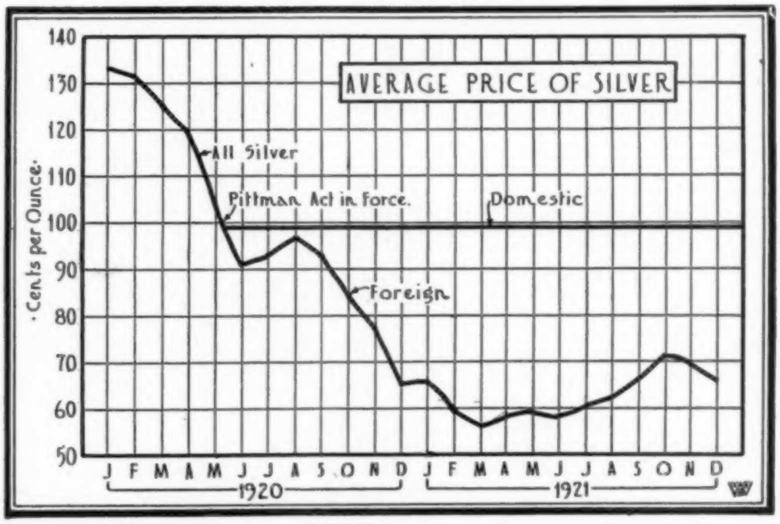
Producers of silver-lead ore, listed on the New York Curb, are Caledonia, Hecla, Iron Blossom, Marsh, Prince Consolidated, Rex Consolidated, Simon Silver Lead, Standard Silver Lead, Stewart, and Wilbert. Only three of these companies paid dividends during 1921, namely Caledonia 1c. a share, Hecla 50c. a share, and Iron Blossom 2½c. a share.

From the above brief review of the names of silver producing companies it will be observed that the most important producers are those that recover the metal as a by-product, and that these companies, particularly the large copper producers, are the substantial companies, and those that may be traded in from time to time with greatest assurance.

Conclusions

It is apparent also that most of the companies whose activities are limited to the production of the precious metals, particularly silver, are speculative as a class, and it is the history of most of such properties that their shares fluctuate in accordance with the results of mine development from month to month, and the publicity given to discoveries of new ore deposits or rich ore pockets, and that the action of their shares is frequently entirely independent of, and often at variance with, the broader fundamental developments in metal markets discussed in the beginning of this article.

The only fundamental condition whose favorable influence may be depended upon for the next two years is the fixed price for domestic silver. Other influences appear to be uncertain at this time, and commitments in silver mining shares based on such uncertain influences must be considered speculative.



At the time of going to press with this article, announcement was made of the receivership of the El Savador Silver Mines Co. Inc., thus bringing out the unfavorable remarks on this company referred to in the above article.

Petroleum

Higher Oil Prices in Sight

Present Situation Not Very Good But Improvement Is Due in Several Months

By C. N. LINKROUM

FOR the week ended January 14th crude oil production in the United States was estimated at 1,430,710 barrels daily, the largest daily production in the history of the petroleum industry. If continued at this rate the annual production would amount to 522,000,000 barrels whereas in 1921 the total production of domestic crude oil was estimated at about 465,000,000 barrels which was the highest output on record.

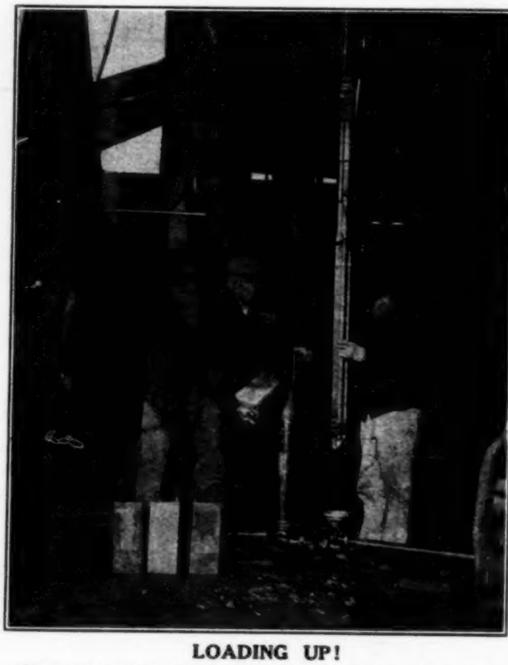
In addition to our large domestic production we are importing from Mexico today more oil than ever before. The result is that stocks of both domestic and imported petroleum are piling up at the present time. This would seem to furnish a strong argument for statisticians who say that the petroleum industry has not yet been adjusted and that prices and production must be reduced before the industry reaches a stable basis.

Certainly the bare facts would not seem to warrant optimism as to the immediate future of the industry. But before jumping at conclusions it would seem well to analyse the situation with regard to present supply and demand and to attempt to determine the possibilities for future output and consumption. Last year the estimated consumption of crude oil by the American industry amounted to approximately 530,000,000 barrels, as compared with 539,000,000 barrels in the previous year when all records for consumption were broken. Probably 57,000,000 barrels of imported and domestic crude were added to storage in 1921, but this was after importing 125,000,000 barrels from Mexico, which means that we were dependent upon foreign fields to the extent of almost 70,000,000 barrels to supply our needs.

Oil Consumption

Last year was a year of general business depression throughout the world but notwithstanding this the consumption of oil was only slightly below the high record of 1920 and in a year of very poor business the oil industry would have been unable to meet the demands upon it if great quantities of oil had not been imported. It seems to be generally agreed that business should show some improvement in 1922 and the indications are that with a moderate improvement in business oil consumption would reach new high levels. The leading oil interests seem to feel that the principal problem for them will be to provide the oil necessary to meet this demand and not to find a market for an excessive supply. Why do they feel concerned regarding the supply when present production is so large? Principally because of the Mexican situation.

The average man who has any interest in the question is probably confused regarding the outlook for oil production in Mexico. He hears of 100,000 barrel gushers one minute and salt water the next. Notwithstanding pessimistic reports regarding the Mexican fields he sees official reports of record-breaking production and imports from that country. While one prophet predicts that the Mexican fields have only a few more months' life another says that the Mexican fields have not yet been scratched. Because of these apparently conflicting statements which have flooded the press the public seems inclined to feel that the whole controversy is one of propaganda and as long as we continue to import large quantities of oil, the general attitude seems to be that the reports regarding the depletion of Mexico's oil resources are probably grossly exaggerated.



LOADING UP!
Nitro-glycerine charge for breaking up limestone formation 3,000 feet below ground

However, if the various statements which have been made on both sides of the Mexican oil question are carefully studied it will be found that they practically all agree. One prominent geologist says that the **present proven oil area of Mexico will be practically exhausted within a few months. At the same time the United States Department of Commerce issued a report by one of its experts showing that the oil resources of Mexico have hardly been scratched.** While at first glance these statements appear to be at variance both may be right and one does not contradict the other. Practically all of Mexico's oil has so far come from a narrow strip of land about 50 miles long. In the greater part of this area it is a well known fact that salt water has taken the place of oil and that probably three quarters of the present production of that country is now coming from the Cerro Azul-Toteco fields at the southern end of this strip. These southern fields are being drawn on at a rate never before experienced in the Mexican fields and at the present rate of production it will probably be a comparatively short time before salt water makes its appearance in these southern fields. Other fields will undoubtedly be discovered in Mexico outside of the narrow strip referred to but the discovery and development of new fields outside of the present producing region will probably require a large expenditure of money and a considerable length of time and in the meantime Mexico's production and exports will probably show a serious decline.

What is probably looked upon as the most authoritative word on this subject was published in the Standard Oil Co. of New Jersey's magazine, "The Lamp." In this article the New Jersey Company says: "We cannot quarrel

(*Continued on page* 506)

Pierce Oil Co.

Pierce Oil's Prospects

Outlook for the Company in the Light of Recent Developments—Is the Preferred Too Low?

THE Pierce Oil Co., in the eight years of its existence as an independent property under the management and control of H. Clay Pierce, has had anything but a steady career. Successive disputes with other operatives and, for a time, with the constituted authorities of the state of Texas, fires, storms and other costly natural disturbances; reported intrusion of salt water in Mexican holdings; and, last year, heavy declines in inventory values, have all combined to handicap the company's operations.

Properties and Plants

If the properties and plants of the Pierce Oil Co. are as good in fact as they look on paper—and this is no intimation that they are not—the company would be entitled to a high rating in point of production, manufacturing and marketing facilities. The property holdings include some 75,000 acres in Oklahoma, Texas and Mexico; five refineries with an aggregate daily capacity of 48,000 barrels are operated; the company has a large manufacturing plant at St. Louis (Mo.) capable of turning out greases and lubricating oils; and, in addition, it owns and operates pipe lines, railroad tank cars, tankers, and other transportation and storage equipment.

In other words, Pierce Oil's holdings mark it one of the prominent self-contained companies of the oil industry.

The Latest Developments

Enough has been written elsewhere on the history of the Pierce Oil Co. to render further comment of the sort superfluous. What is of chief interest to investors today is the following three developments, all more or less recent, in the company's affairs:

(1) Declaration of a stock dividend on the common.

(2) Delay in payment of full preferred dividends for the year 1921.

(3) New financing through sale of debenture bonds in December, 1921.

The payment of a stock dividend of 5% on the common shares was accompanied by an official statement which makes interesting reading in the light of subsequent developments. The statement read, in part: "As earnings have been very substantial, the management has desired for some time to pay a dividend to its common stockholders; but, as in order to increase the capacity of the plants to care for its rapidly-growing business, earnings have been used for capital expenditures; and as its present cash-working capital is being used to further develop its oil leases and to increase its refinery capacity, it has been decided to pay the above dividend in common stock."

That there was justification for this disbursement is best seen from the accompanying table. In the year in question (1920), the company returned earnings of 22.9% on its recently created preferred shares, and $2.35 a share on its common.

The disbursement was followed not long after, however, by the terrific slump in the oil industry in which all companies suffered, and which hit Pierce Oil about as hard as it did any other. The effects of this were apparent in the next report filed by the company—the report for the first six months of 1921—when, instead of a surplus of $3,430,000, a deficit of $2,348,000 was shown.

The deficit was contributed to in large measure by the drop in the value of the company's oil holdings. The company wrote-off over $1,000,000 for inventory adjustment on 1920 operations; an additional $2,384,000 was written-off for the six months of last year.

Thus, however good a position the common shares may have seemed to be in in 1920, they fell into a comparatively poor position in the following year.

Preferred Dividends

The factors which altered the prospects for the common shares so radically were, of course, of even greater significance as regards the preferred. This preferred stock had been created in 1919. It was a 15-million-dollar issue, par $100, entitled to cumulative dividends at the rate of 8%.

The initial quarterly disbursement of 2% on the preferred was made in 1919, 4% being paid in the year; the full 8% was paid in 1920. In 1921, however, conditions reached a point where, after payment of half a year's dividends on the preferred, or 4%, disbursements were delayed. At this writing, announcement is made of the declaration of 2% on the preferred stock payable February 1, to stock of record January 26. There remains 2% due on this issue as of January 1, 1922.

New Financing

The difficulties Pierce Oil had encountered sent the company into the market for new financing late last year. An issue of $2,000,000 10-year 8% sinking fund gold debenture bonds was authorized and marketed, "to pay off all bank debt," with certain unimportant exceptions.

This development brought the company's capital structure to the following position:

Class	Authorized	Issued
Funded debt	$ 2,000,000	$ 2,000,000
Preferred	15,000,000	15,000,000
Common	33,000,000	23,748,000

How the company would have fared during the 10 years, 1911-1920, inclusive, has been summarized by the president. The figures are not available elsewhere.

"The corporation's net earnings, after depletion and depreciation, for the years 1911 to 1920, inclusive, which would have been applicable to the interest on this issue had it been outstanding, have been $2,179,871; for the years 1916 to 1920, inclusive, they have been $3,184,776; in no year during the period 1911 to 1920, inclusive, have they been less than 5½ times the interest charges on this issue."

Outlook and Conclusions

The outlook for Pierce Oil is not clear. Nevertheless, it seems fair to say that the company has seen the worst of its troubles and should be in line for better times. Among other constructive factors are the recovery in the price of crude oil, which may compensate, in large part, for the inventory cut of 1921; and the entrance of important interests into the directing board. More time will probably be needed to straighten out the financial situation resulting from the 1921 debacle; on the other hand, the degree to which the policies of the old management are softened by the new interests now on the board with probably have an important bearing upon future results. In short, the company seems to have rounded the corner, and the probabilities are that it will move gradually ahead from now on.

The preferred stock sells around 70. It advanced sharply to this level following the company's success in securing new capital, as well as entry of new interests into the board. It is rather speculative at the current level, with the odds against its developing into the investment class for a time.

The common shares at around 11 (par value $25) have yet to become attractive for investment purposes.

COMPARATIVE INCOME ACCOUNT.
(In Thousands)

	1917	1918	1919	1920	1921*
Trading Profits	$3,955	$6,058	$4,808	$6,761	$1,028**
Other Income	955	17	552	96	....
Total Income	$4,100	$6,075	$5,361	$6,857	
Interest, etc.	1,370	1,368	1,115	661	
Depl. & Deprec.	933	1,109	1,140	1,351	993
Fed. Taxes	180	708	300	375	
Inventory Adjustment	....	....	....	1,100	2,384
Surplus	$1,610	$2,894	$2,752	$3,430	Def. $2,348
Earned on Pfd.	....	....	18.30%	22.9%	....
Earned on Common per Share	$2.28	$3.78	$2.44	$2.35	....

*6 Months. **Operating Profit, After Interest.

Answers to Inquiries
On Oil Securities

TEXAS CO—PACIFIC OIL
A Comparison

I am the holder of 100 shares of Pacific Oil which I obtained at $15 a share by exercising my rights as a holder of Southern Pacific stock. Please advise me how this compares with Texas Co. stock at present prices.—R. D. W., Bellevue, Pa.

The comparison between Pacific Oil and Texas Co. is rather interesting as both stocks sell at about the same price and pay the same dividend of $3. These companies have excellent possibilities of increasing earnings in the future from further development of their properties. Pacific Oil has 3,500,000 shares of capital stock as against 6,400,000 shares of Texas Co. stock; both companies are in strong financial condition. Of the two issues, we would be inclined to favor Pacific Oil, one reason being the smaller capitalization and another, the fact that it has large areas of land in California that have not yet been developed and that should for years to come provide a considerably larger earning power.

In view of the fact that Pacific Oil is not likely to increase its dividend in the near future, we believe it would be advisable to take your profits around present levels and switch into some other security that will give you a better return on your money and that also has good possibilities. A suggestion is Westinghouse Electric selling around 50 and paying $4. This company is in very strong financial condition and the outlook for business this year is reasonably bright.

SALT CREEK PRODUCERS' ASSN.
Has Good Possibilities

I purchased 140 shares of Salt Creek Producers' Association about a year ago at 13½. This concern is paying at the rate of $1.20 a year, but I know very little about it. Can you give me any information? Has it Standard Oil affiliations?—L. W. H., Coolidge Corner, Mass.

The Salt Creek Producers' Association has very extensive holdings in the Salt Creek Fields of Wyoming in fee and under lease. It owns approximately 77% of the Wyoming Oil Fields Company and the Natrona Pipe Line & Refinery Company and 67% of the Midwest Oil Company. Capitalization consists of $15,000,000 authorized of which $14,601,405 is outstanding, par $10 per share. The last balance sheet shows a net working capital of $3,317,712, this being as of December 31, 1920. Of course, this does not include operations of the company for the year 1921. On April 30, 1921, the President of the company stated there was still $5,284,613 undistributed impounded moneys, in which the company had a net interest of close to $3,000,000; therefore, the net working capital and this impounded money would equal around $6 per share, making no allowance whatever for the value of the property owned by the company, as of the date above mentioned. The holdings of the company are carried in the balance sheet at a value of $16,199,738.

Of course, this stock is a speculation, but it has very valuable properties and we are inclined to believe it offers attractive possibilities for future enhancement in value. It is a low price issue paying satisfactory dividend and we would suggest it be held for further development.

Inasmuch as this company owns controlling interest in the Midwest Oil Company production is handled by the Midwest Refining Company, which in turn is controlled by the Standard Oil Company of Indiana, we presume it is this working relationship you have in mind when you suggest it being closely linked to the last named company.

SIMMS PETROLEUM
In Mexia Field

Some time ago I purchased fifty shares of Pure Oil and Simms Petroleum, paying 52 for the former and 50 for the latter. These stocks were purchased outright for investment. What is the outlook?—C. E. M., Newark, N. J.

Simms Petroleum has acquired acreage in the new Mexia field in Texas and recently bought in a 10,000 barrel well there. The company also has good production in other Texas fields. As the company is in good financial condition and is in a position to push operations we believe it likely that earnings of this company will show a marked increase from now on. Of course, a stock of this kind is speculative to a high degree and conditions may come up of which we know nothing at the present time which may alter the situation, but as far as the facts obtainable at the present time show this company should do better.

Pure Oil Co. has made a $7,000,000 investment in the new Mexia field, Texas, and as developments have been very favorable recently, we believe it advisable to hold this stock for the present, especially as it shows you a large loss.

ATLANTIC LOBOS
Production Cut by Salt Water

As one of your subscribers can you give me your opinion of Atlantic Lobos?—K. J., Brooklyn, N. Y.

Atlantic Lobos Oil Co. has outstanding $10,000,000 8% cumulative preferred stock and 500,000 shares of common, no par value. The company's holdings total more than 100,000 acres distributed throughout the oil fields of Mexico. It owns its own railroads, pipe lines, refineries, pumping and loading stations. Its oil production is handled under contract by the Atlantic Refining Co., which is the parent company. The balance sheet as of June 30, 1921, showed a net working capital of $4,383,748, and earnings heretofore have been satisfactory. However, in the company's statement for the first six months of the year it was said that the entire Amatlan productive area was invaded by salt water, which reduced the output of nearly all wells, their own included, to a small fraction of their former yield, and the company is now seeking a new production in other oil fields. From the above, you will see that the stock is very highly speculative and the success of the company dependent on their ability to secure production to offset the losses sustained by reason of the salt water appearance in their properties.

SOLAR REFINING
Large Working Capital

I should like to have your opinion as to the merits of Solar Refining as a spec-vestment.—M. I., Montreal, Canada.

Solar Refining Company owns a refinery at Lima, Ohio, having a capacity of 15,000 barrels per day. The plant has pipe line connections with the Buckeye pipe line and the Illinois Pipe line. Capitalization consists of $2,000,000 par value $100. For the year ended December 31, 1920, net profits were $1,698,206 equal to about $85 a share on the stock. In 1919 the earnings were about the same. The balance sheet as of December 31, 1920, shows a strong financial condition with current assets of about $6,600,000 as against current liabilities of $1,400,000. In 1920 dividends totaling 50% were paid and in 1919 30% were paid. We regard the stock as a rather attractive semi-speculative investment.

SHAEFER OIL BONDS
Appear Well Secured

Do you regard Schaefer Oil & Refining 6½% bonds a desirable investment?—D. A. J., Dover, Del.

Shaefer Oil and Refining Company for the year ended December 31, 1920, reported net income of $2,879,914 as compared with $2,568,395 in 1919. The balance sheet of the company as of March 31, 1921, shows a fairly good financial condition with working capital close to two million dollars.

The first convertible 6s, due June 1, 1929, are a direct obligation of the company and secured by first lien on the entire system of oil property. They are guaranteed as to principal and interest and sinking fund by the Standard Gas and Electric Company by endorsement. Interest charges of the company amount to $1,028,320, so it can be seen that they are covered with a very substantial margin to spare. These bonds are well secured and we believe they can be regarded as attractive investments.

(*Continued on page 492*)

Trade Tendencies

Commodity Markets Continue Spotty

Better Outlook for Building Materials—Motor Price Cuts Help and Hinder

BUILDING

Record Activity

Construction activity has held up surprisingly well during the Winter months and the indications are that 1922 will break all records in this industry. The improvement in building commenced last Summer and has continued practically unbroken.

As an instance of the unusually good situation in building, it may be cited that many states report an increase in construction activity in December as against November, whereas there is usually a seasonal decline in that period.

Building has been particularly active in the East. According to the United States Chamber of Commerce the outlook for the year is that construction activity will be particularly high in most industrial centers, whereas the outlook is not so good in the agricultural districts.

The need for housing facilities still exists to a large degree and the probabilities are that house building will lead in construction. Whereas last year saw most building activity devoted to residences and other domestic types, the outlook is that a larger proportion of building will be devoted to public buildings than was the case last year.

SPOT PRICES OF LEADING COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	Last*
Steel (1)	$43.50	$28.50	$28.00
Pig Iron (2)	30.00	18.00	18.00
Copper (3)	0.13¾	0.11	0.13¾
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.80
Cotton (6)	0.21¾	0.11	0.17
Wheat (7)	2.04	1.08	1.14
Corn (8)	0.70¼	0.44	0.48
Hogs (9)	0.11⅛	0.06¾	0.08
Steers (10)	0.11⅛	0.08⅛	0.09
Coffee (11)	0.09¼	0.05¾	0.09¼
Rubber (12)	0.23	0.14	0.17
Wool (13)	0.48	0.43	0.45
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06¼	0.03½	0.03¾
Sugar (16)	0.08½	0.04¾	0.05
Paper (17)	0.06⅛	0.03¾	0.03¾

*January 30.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw, Cubas 96°, Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

An interesting indication of the change in general conditions is that there has been an increase in the number of inquiries for industrial sites. Many plants require replacement or extensions owing to the wear and tear of the past few years which had not been attended to properly owing to the high cost of repair and construction work. With costs down somewhat, there is greater incentive to building operations of this character.

Reflecting the improved conditions in the building industry, lumber interests are preparing to engage in a very active year. The statistical position of various lumber items is generally improved over that existing a year ago, and in view of the increasing demand, the outlook is that the level of lumber prices will gradually rise.

Another factor to reckon in the building situation is the improvement in the money market. Funds are more generally available for construction purposes and this in turn has increased the incentive toward home building and other types of construction.

From an economic viewpoint, the improved character of the building outlook is of high importance, inasmuch as it means a drop in unemployment and consequently an increase in purchasing power. Finally, too, it should have an effect on the rent situation. With housing facilities more nearly equal to that of the demand, which is likely to be the situation in a year, the probabilities are that rents in many centers will come down to a more equitable basis than that now existing.

MOTORS

Price Readjustment Continues

Practically every important producer, not only of high- and medium-priced cars but even of low-priced cars, has reduced prices in the past few weeks. Many companies which had already cut prices and which intended to hold to their last figures have been compelled by competition to join the price-cutting procession. Prices now are generally comparable to those obtaining about five years ago. Considering the very great improvement in the models of most important companies, these prices are indeed low.

The medium-priced cars have suffered the brunt of the decline, most of the downward revisions being made in these cars. In fact, several makes which were formerly in the medium-priced group are now in the low-priced category and actively competing with such cars.

It is impossible to say whether the present level of prices will remain for a long time or not. The market is still unsettled and there are possibilities that further competition may force makers to again adjust their prices downward. Nowhere in the industrial field is competition so keen or extensive as in the motors.

It is evident that the reduction in prices has stimulated demand. Many people who have never owned cars before now feel in a position to buy on account of the lower prices prevailing. Yet, on account of the more efficient merchandising methods of certain makers, it is probable that not all manufacturers will profit from this new element in the motor car market. In others words, the more efficient manufacturers are more likely to benefit than the others.

From a corporate viewpoint many companies are now in a better position than a year ago. Their prices are about as low as they are likely to get; inventories have been reduced considerably, and liquidation in general has been nearly completed.

The outlook is, as already evidenced by the increasing orders of a few important manufacturers, that by Spring the rate of production will be considerably above that of the present. The total volume of business for the year, however, is hardly likely to equal that of either 1919 or 1920, although several fortunate manufacturers will probably break all records this year.

(*Continued on page 507*)

THE TREND

RUBBER—Trade position improving. Big tire manufacturers expected to enter market soon. Conditions in other branches still somewhat spotty.

COPPER—Low-cost producers resuming operations. Sentiment greatly improved. Market has difficulties to overcome, but outlook better.

LEATHER—Market tending toward stabilization. Position of leather should be better toward end of Spring.

MOTORS—Situation unsettled. Price cuts, while attracting trade, are proving a handicap to less efficient concerns. Truck-makers' outlook comparatively good.

BUILDING—1922 should break all records. Building particularly active in East. Funds for construction purposes gradually becoming easier to obtain.

SUMMARY—Special changes in general situation not likely in immediate future. Markets still passing through readjustment phase. Best test will probably come with opening of Spring months.

Public Utilities

A Selection of High Grade Utility Investments

Record and Prospects of Hydro-Electric Companies Entitle Their Shares to High Rating—Which Are the Best?—The Outlook for Individual Companies

By J. N. PAUL

WITH securities of public utility companies this year coming into better favor, those of the hydro-electric power companies generating electric energy by means of water power should be especially attractive. Despite our vast natural resources, this field has not yet been touched to any great extent and is still in the early stages of development. It has only been during the past decade that real strides in development of this branch of public service have been made.

The war necessarily stopped development work to a large extent and it was still further hampered by the fact that nearly all the undeveloped water power sites were on Government owned or controlled lands. The passage of the Water Power Act in 1920, which permitted long term leases on water powers, made available for private development many valuable sites. This has opened the door for investment by the public.

The original system of applying a stream of running water to a paddle wheel, which has since developed to the present battery of modern turbines generating thousands of horse-power, dates back many centuries. The ancients made use of the running stream to a small extent but the old-fashioned grist mill was the forerunner of the modern turbine hydro - electric plant. While streams had been used to turn water wheels which were attached directly on a shaft it was only late in the nineteenth century that electric current was generated by this means.

Development of the Turbine

The amount of power generated by the old-fashioned wheel was restricted and no great fall of water could be used. The next step was to devise machinery which could use the pent-up forces of stream many hundreds of feet higher in the air. This has resulted in the modern turbine with its numerous blades attached to a shaft. The water is frequently conveyed many miles to the turbine through large pipes.

Obviously, the generation of electric energy by steam, requiring use of costly coal or oil as fuel, cannot compete with that of plants using water power. With fuel advancing in price and becoming scarcer, the development of our hydro-electric resources seems bound to expand.

Nevertheless, the development will require both time and money. Considerable development work was undertaken last year and more has been planned and is now under way.

Figures of the United States Geological Survey show that less than one-fifth of our potential water-power resources are being utilized. Until very recently, the economical transmission of power for a distance of only one hundred miles was considered an achievement. Power is now being transmitted by one of the Pacific Coast companies for nearly four hundred miles, being generated up north near the Oregon-California state line and delivered in San Francisco.

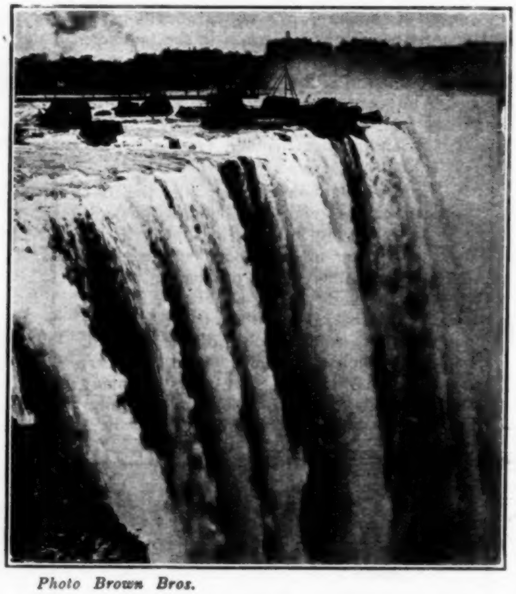


Photo Brown Bros.

THE MAJESTIC POWER OF NIAGARA FALLS
100,000,000 tons of water flows over the falls every hour—an unbroken flow 14 feet deep, or approximately 58,000 barrels a second

Recent inventions which are still in an experimental stage seem to indicate that in a very short while it will be possible to deliver hydro-electric power to almost any part of the country. That is to say, areas which have no available water powers will be able to obtain their requirements from other districts, no matter how far distant.

Earnings Stabilized

Earnings of public utility properties are necessarily more stabilized than those of industrial corporations. Those of the hydro-electric companies are even more so than the ordinary utility. It takes only a few men to operate a hydro-electric plant; hence, the labor item for production is negligible. Rising costs or depletion of supplies of fuel oil or coal mean nothing to the hydro-electric plant with an assured water supply. Earnings then are dependent only on costs of distribution, rates for the product and demand. In almost any given territory a steady increase in demand for electricity is being noted.

Practically 69% of estimated water power is located in the Western states and it is here, particularly in California that the greatest strides have been made since the end of the World War. The following table compiled from figures by the United States Geological Survey indicates at a glance where the water power is located. Of the estimated total potential maximum of 59.360,000 horse-power, less than one-fifth has already been developed. Table follows:

States	Potential Maximum Horse-Power	Percentage of Total
Western states......	40,701,000	68.6
New England states	1,951,000	3.3
Atlantic states	9,348,000	15.7
Central states	7,360,000	12.4
Total	59,360,000	100%

Water power resources of the Western states have as yet been practically untouched and it is here, naturally, that greatest development can be looked for during the next few years restricted only by the extent of the demand for power. In California, for instance, demand for power since the beginning of the War has been in excess of the supply. Last year practically all the companies in that state expended high sums for development of water power which should be reflected favorably in future earnings.

Future electrification by western railroads is a factor favorable to companies producing hydro-electric power in or adjacent to the Rocky Mountain territory. Practically the only instance of this kind now is that of the Chicago, Milwaukee & St. Paul Railroad which is electrified from Harlowtown, Mont., over the mountains to Avery, Idaho, a distance of four hundred miles. Several of the large carriers, notably Burlington, Northern Pacific.

and Great Northern were understood to be contemplating electrification of parts of their systems but the war forced them to abandon their plans temporarily at least.

Which Securities to Buy

After having been selling at low prices for more than four years of high operating costs, securities of public utility companies are again coming into their own. They have already shown considerable appreciation in value on an average from the low prices of last year. While the immediate outlook for many industrial companies is still in doubt, it is an established fact that operating conditions for practically all utilities are improving steadily.

For the discriminating investor, bonds of several of the larger hydro-electric companies are being offered. For straight investment, care should be taken to buy into companies operating in more populous territories which have an assured demand for output. Some companies are financing new construction through the sale of preferred stock. The Pacific Coast companies have been successful in this respect.

To those who are content to hold securities for the long pull, consideration of those companies operating in territories which are as yet undeveloped to any great extent appears desirable. While outlay for water power development is at first a considerable item financially, the results will be seen in future years of low cost production reflected in better earnings as demand for power increases.

Particular attention has been paid to the companies operating in California in this article. California possesses more and better water powers than any other state in the Union. Nature has been prolific to the state in this respect. Thousands of streams rush down the sides of the Rocky Mountains having their sources from 7,000 to 14,000 feet in the air. This combined with the natural rapid development of the state, has brought these companies into prominence.

Pacific Gas & Electric

Pacific Gas & Electric Co. operating in thirty-six counties in northern and central California is perhaps the second largest public utility in this country based on the amount of electricity and gas sold to consumers. The war held up plans for development of several water power sites controlled but in 1921 considerable work along this line was done. During 1920 some $11,000,000 was expended for additions and improvements. In October, 1921, it was stated officially that $17,000,000 was tied up in new construction which should become productive in July of this year. Practically all the new construction work represents extension of transmission lines and development of water power sites. Out of twenty-eight electric generating plants in operation last year, twenty-four were hydro-electric and the other four steam-electric.

Latest available earning statement is for ten months ended October 31, 1921, when gross earnings amounted to $31,237,108 compared with $28,603,852 for the corresponding period of 1920. Net earnings available for dividends amounted to $4,138,585 against $3,938,390. This would indicate earnings on the $34,004.958 common stock of approximately $9 a share for 1921 against actual earnings the previous year of $6.30 a share. Earnings of $9 a share on the common should insure the safety of the $5 annual dividend. At the close of 1921 a 2% stock dividend was declared on the common. If present rate of earnings is maintained, and there is every indication that it will, further small stock payments or an increase in the rate might be looked for.

A recent issue of $10,000,000 first and refunding series B 6% bonds due 1941 was sold publicly last November at 98¼. Together with the company's other first mortgage issues, these bonds have a high investment rating. The 6% cumulative preferred stock also enjoys a good investment reputation while the common stock paying $5 annually in dividends can be classed as a speculative investment.

Southern California Edison Co.

Southern California Edison Co. operating in Southern California including the San Joaquin valley is one of this country's largest producers and distributors of electricity. Water power plants at the close of 1920 had a generating capacity of 176,600 horse-power and steam plants 135,200 horse-power, a combined capacity of 311,800 horse-power or practically three-quarters of that of its northern neighbor Pacific Gas. Development work which has been under way on a large scale since the early part of last year will enlarge its capacity considerably. Last year 94,000 horse-power additional capacity was added and can be developed by water power exclusively.

The securities of this company deserve a high rating. In 1921 approximately $28,000,000 was expended for new construction and an official has just stated that $20,000,000 will be expended in 1922. Of the $28,000,000 spent last year, $11,000,000 represented proceeds of sale of bonds. The balance came from the sale of stock, mostly common stock. The company has launched an extensive campaign and has been very successful in selling it to customers under the slogan of making them "customer-owners." Ability to sell $17,000,000 of stock, practically all common, direct to the investor in one year is a distinct achievement. The common stock is now being offered at 98½.

Southern California Edison's earnings statement for the ten months ended October 31, 1921, shows net after fixed charges of $5,307,869 against $4,416,961 in the corresponding period of 1920. In 1920 earnings were equal to $10 a share on the $19,371,372 common outstanding at the end of the year.

The first mortgage bonds, debentures and preferred stock of the company have a good investment rating. The dividend on the common stock was increased from 7% to 8% annually early in 1921. The company controls some of the best water power sites in the state and based on present indications there is no reason why the common dividend should not be considered safe.

Western Power Corporation

The Western Power Corporation is a holding company. The chief operating subsidiary controlled is Great Western Power Co. of California. Several smaller subsidiary companies all operating in Central counties of California are also controlled. The company also serves San Francisco, Oakland and Sacramento with electricity. At the close of 1920, it had a connected load of 308,000 horse-power but this has since been increased considerably. Approximately 90% of its output is hydro-electric.

Western Power controls valuable power sites on the Feather River capable of great expansion. What has been declared

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Power House and Dam at Great Falls, on the Missouri River; power being transmitted by the Montana Power Co. to the Chicago, Milwaukee & St. Paul Railway electrification

Intimate Talks With Readers

Should You Invest or Speculate?—What Is More Profitable?—Advantage of Market Orders—Do You Buy on Margin?

INVEST OR SPECULATE?

THE writer would not be able to solve this problem, nor even discuss it with justice to the subject, within the limitations of the space available.

Would you be safe, sure, and sometimes very slow? Then invest. Are most investments guaranteed to be free from risk? Are they certainties? No! Central Leather preferred not many months since passed its dividend; two years ago almost had a gilt-edge rating. Goodyear preferred was offered to employees as a privilege, today no dividends, and many points loss; the future rather uncertain. Pennsylvania Railroad, until recently considered an investment for widows and orphans, has fallen from its high estate. Where is it going? Don't know! Where are the Russian Government bonds, Mexican bonds, St. Paul, New Haven? No comparison you might answer—if your memory is fleeting. Look up the bankers' circulars on Russian bonds and Mexican obligations, and you will certainly not blame the eminent banking interests, who were fully justified in believing at that time that these bonds were gilt-edge.

If nothing is certain, we might as well take a chance, if taking chances does not mean becoming reckless. If we take a chance we speculate on the future; that is all that speculation amounts to. Why not spec-vest?

Spec-vest is the happy medium—a partial solution of the difficult problem that does not take us into ground that is too debatable. The average man, the business man, the business woman, the employee can all spec-vest, and need not surreptitiously seek the "family entrance" to dodge the neighbors or the parson.

A large number of our subscribers do not like speculating; others believe they will never become financially independent by investing. It is most difficult to say who will be better off in the long run.

A speculative position towards investment stock is proved at certain times, as a business venture suitable for the most conservative. There is very little risk attached to the operation and many chances for reward. Success in this direction is only possible by remembering the formula:

Speculate in investment stocks. Wait patiently for the right time. Be more than conservative. Wait patiently for the plan to work out—then wait again.

Reference is made particularly to such issues as U. S. Steel, Southern Pacific, Canadian Pacific, American Telephone or Consolidated Gas in their broad sense. They are not "investments" if you care to lay them on the dissecting table and analyze them under the microscope. They are, however, the best type of speculative-investments (spec-vestments).

Apply the plan to Steel and see how it works out. The speculator fears to buy it on margin at 83 because it may drop to 80 or lower. The investor objects to it because it is not a true investment. The spec-vestor can stand on middle ground and argue something like this: "These people were falling over each other to buy it from 115 to 130. Now that it is selling around 80 they see black. They expected 100% stock dividends when the company was pouring out cash dividends at a prodigal rate, and they are suspicious of it when it only pays a miserable $5. They have forgotten all about its big surplus, its wonderful record. I guess I will take on some around 80. What was good enough for false prophets at 130, suits me very well at 80, 75, and 70.

ADVANTAGE OF MARKET ORDERS

Is it worth while for the distant investor, trader or speculator to fix a price in active stocks, at which he wishes to buy or sell, if he hopes for good results, and trusts his broker? The answer is generally "No!"

Veterans of the Street will tell you that when a stock is a sale, it is a sale at the market; and the converse case is also true. When you make up your mind to get out—do so, and do it without qualification. For example, having made up your mind that Asphalt is an undesirable stock to hold between 60 and 61, its desirability would not be improved at 62½. And, in the long run it does not pay to risk holding indefinitely for the sake of the extra half point.

In the same way, if Southern Pacific should be a desirable purchase 73-76 and your broker reports, "It is selling around 74¼ but I haven't seen it for half an hour," it is ridiculous to say, "Well, buy me a hundred if it goes to 74, and if they won't let me have it for that, they can keep it." Such an order marks the novice for the following reason:

The intended purchaser had in mind the investment of $7,400 in 100 shares Southern Pacific, with the expectation of holding for investment or perhaps selling out around $8,000 or higher. The buyer must have judged that he was putting in his order at the "zero hour" or else he had no business to put in an order at all. If it should transpire that 74 or 73⅞ was the actual low for the move, the buyer probably wanted to have the satisfaction of bragging to his friends that he bought it at the bottom eighth—and they would not believe him, or be jealous of him anyway. The buyer or seller at the bottom and top eighth is the most hated animal in Wall Street, and he is the only person who does not realize it. To analyze our Southern Pacific trader, he was a groundhog, and would never be successful; not really knowing his own mind, and hoping that his greed for an extra ¼ point would be realized—or else out of pique, determining to let "them" or "they" keep it. The latter mysterious individuals might be you or I, because if I owned 100 Southern Pacific, and wished to sell, I might be stupid enough to let my broker know that I would not take less than 74½. So, in a case of this kind, you would have two foolish people, both willing enough to do business, but neither knowing sufficient about the market or Wall Street to get down to real business.

We do not say that all orders should be market orders. It may be desirable during a reaction to try and buy cheaper, and an order to buy 1, 2, or even 10 points under the market may be in order, if the buyer knows what he is doing. Inactive stocks, preferred stocks, and wide movers sometimes do react a point or two in session, or in a couple of days. Ordinarily, however, the market order in an active stock, placed with an honest broker, should lead to no regret in after years.

DO YOU BUY ON MARGIN?

The question we have raised sounds like a foolish one, because about ninety-nine out of every hundred of the people who know Wall Street, do so. The single exception is often that rara avis who buys 'em outright, and doesn't care a hoot if they go down. Does the cash buyer really make all the money, and is his plan the safest? We doubt it. It is a good thing to buy for cash and owe nothing, but the best thing in the world is credit, and the margin buyer is using his credit, that of his broker, and even of his bank, to help him. The biggest losses recorded

(*Continued on page* 510)

Readers' Round Table

"In the Interests of Frankness"

Editor, THE MAGAZINE OF WALL STREET.

Sir:—I want to thank you for the attention given to my communication in re Building & Loan Associations and Renting vs. Buying in your December 24 number. May I impose further upon your courtesy by making a few observations of an interrogatory nature in relation to two other matters? I note in the same number that you answer conservatively an inquiry in relation to American Car & Foundry.

Are our economists and our bankers going deeply enough into investigations of our corporations? That "Car & Foundry" was one of the many corporations that profited unduly in war-time is no reason for singling it out for reproach; but considering that, up to 1916, it never exceeded earnings of 3% on its common stocks, does not 21.15% for the year ending April 30, 1921, indicate unjustifiable prices for its output? Its products are so far out of the line of daily life observation that comparative prices rarely come to the surface. Is this observation just, and a factor in considering the value of the stock? Or has the company made drastic cuts in prices in line with the times and as its proper share in the endeavor to reach economic equilibrium?

Now for another matter. Can we reach any real judgment as to the value of holding companies, unless they come to a smash as our traction securities have done, so long as full details of subsidiary companies are withheld?

Being right under our eyes, it might be asked, What is Consolidated Gas worth? Who knows? Inter-company financial juggling prevails in all holding companies and probably in the main is straight and beneficial, but should not full details be given to owners of the properties?

Have you followed the shiftings incident to the admirable issue of the recent Edison 6½% bonds? Note:

Edison Company
(In Round Figures)

Issues $30,000,000 bonds.

Buys $30,000,000 U. L. E. & P. 7% bonds.

Issues $17,000,000 stock.

Cancels $12,000,000 debt to Cons. Gas Co.

Takes over $5,000,000 preferred and common stocks of the U. E. L. & P. Co.

Consolidated Gas Co.
(In Round Figures)

Cancels $12,000,000 Edison debt.

Gets $17,000,000 Edison stock.

Sells $5,000,000 preferred and common U. E. L. & P. stock.

U. E. L. & P. Co.

Issues $30,000,000 7% Bonds.

Presumably gets $30,000,000 cash.

—For what purpose? Could not holders of Consolidated Gas 7% convertible bonds have enjoined the Edison issues of both bonds and stock on the ground that their collateral was being diluted?

All of this is merely in the interests of careful investigation and the compelling of absolute frankness by holding companies. —O. R.

There is no doubt that the above implied criticism of the equipment companies is, in the main, justified. There would be no other way of accounting for their, on the whole, exceptionally good showing last year, which was generally a year of bad business. However, there is no way of regulating prices for the products of the equipment companies any more than there is a way of regulating the price of any other product. Obviously, as long as the railroads are willing or feel compelled to pay the prices asked by the equipment companies, the latter will report very fair earnings.

It has been suggested in certain quarters partial to socialistic doctrine that the railroads have deliberately padded their expense accounts in order to better lay claim to more merciful supervision on the part of the Interstate Commerce Commission. This refers specifically to the question of wages. There is absolutely no doubt that the railroads would like to see their wage accounts diminished. It may occur to some of them that by proving a high cost of operations they may develop a better argument in favor of lower wages. It is problematical, however, that the carriers are indulging in this policy on a nation-wide scale. Certainly, if this could be proved, they would deserve the criticism which is often raised against them.

The fact is that the equipment companies cannot be blamed for keeping the price of their products high as long as they have a market for them. This would be ordinary business sense. From a social viewpoint, of course, there is a question whether such conduct is justified.

With regard to the question of the value of holding companies, it is not proven that there is inter-company financial juggling in all holding companies. The cynicism implied here is a little too strong to bear credence, without at all suggesting that holding company directorates are above reproach with regard to their financial policies. Certainly, as the writer of the above letter suggests, it would be wise to give full details to the owners of properties. And this would not be so difficult to attain as might otherwise be imagined, for if security holders were to voice their desires in no uncertain manner, no doubt they would be satisfied on this point at least.—EDITOR.

Explaining Ourselves

Editor, THE MAGAZINE OF WALL STREET.

Sir:—I have read with interest "Financial Independence at Fifty" and "How to Read the Financial Page." What other books along the same line would you suggest?

What sort of a magazine is THE MAGAZINE OF WALL STREET? Where does it get the information it publishes and who is back of it?—R. H. I.

These questions are answered categorically herewith:

1. Other books of interest along the lines suggested are: "Practical Points in Stock Reading," by Scribner Browne; "Investing for Profit," by G. C. Selden; "Studies in Tape Reading," by Rollo Tape; "Psychology of the Stock Market," by G. C. Selden, and "Fourteen Methods of Operating in the Stock Market."

2. THE MAGAZINE OF WALL STREET is primarily a financial and investment magazine whose main purpose it is to inform its readers on all matters relating to every phase of these subjects. Inasmuch, however, as the investment field is as broad as the earth, it follows that its scope is really universal.

3. R. D. Wykcoff is the publisher and editor of THE MAGAZINE OF WALL STREET and is the active head of the organization.

The Railroad Pass

Editor, THE MAGAZINE OF WALL STREET.

Sir:—You have from time to time in your valuable MAGAZINE published articles on various phases of the railroad situation. There is one phase, however, that has never to my knowledge been even mentioned, let alone discussed. I refer to that species of graft known as the pass. An employee of a railroad receives a wage or salary equal to and in most cases greater than that received by one who is engaged in similar employment in other lines, industrial or commercial. In addition to this, he is carried to and fro from his place of work, before and after hours, without expense to himself. He is enabled to reside miles from his work, where rents are cheaper, where living is less dear, but his transportation to and from his work costs him nothing. Not alone this, but his wife and other members of his family use his pass to go shopping, to go to the theater, and for other purposes, where he who is not employed by a railroad has to pay fare, not alone for himself but for every other member of his family who uses the trains. Furthermore, in the summer, a trip to the mountains or the seashore costs the railroader nothing.

Take the case of the Pennsylvania Railroad, which was so ably discussed in a recent article. The stockholders get but a meager return on the money they have invested in the stock of the company, the money which really enables these grafting railroad employees to live, and all the while the railroad company spends millions of dollars yearly in hauling their employees to and from their work. Surely this species of graft can be eliminated. Of course, it has been the growth of years and cannot be changed overnight, but if an influential journal like yours will, by intelligent discussion, lend the might of its

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How Puts and Calls Work

What They Are—Their Uses in Trading—Insurance Value

By A. TUCHMANN

THE literature of Wall Street is bare of any authentic treatise on Puts and Calls, not because of the unimportance of the subject but because in the past no one has seen fit to devote any time to making a lucid exposition of this method of trading. While it might be considered by some a new method, still it dates back hundreds of years, and the fact of its use on the important exchanges in Paris, London, Berlin and Vienna is well known to anyone whose activities in Wall Street have brought him into contact with European methods.

Wall Street, which is the financial center of the world and the place where the keenest minds are constantly at work, is at the same time one of the last places in the world to grasp new ideas, and it may be because of this that trading with Puts and Calls has had such a hard uphill fight to secure proper recognition.

Ask a stock broker about a certain issue and he will risk his reputation by giving an opinion which might be as wrong as it might be right. Ask him about Puts and Calls and he will say, "Why, they are options!" Ask him to explain this more fully and it is dollars to doughnuts that his explanation will be so complex and confusing that you will stand gaping at him and imagine, on account of his inaccurate explanation, that Puts and Calls are most technical affairs intended for the use of professionals only and totally beyond the comprehension of the average trader—with the result that you will let it go at that and give the matter no further thought. *However, the simplicity of the use of Puts and Calls is their strong feature and when properly explained and understood they become an invaluable aid and protection in trading.*

What Puts and Calls Are

A Call is a negotiable contract for a specified period of time, usually 7, 15 or 30 days, giving the holder the privilege of purchasing from the maker a specified number of shares of a certain stock at a fixed price mentioned in the Call.

A Put is the reverse of a Call, and permits the holder to sell or deliver to the maker certain shares of stock at an agreed upon price.

A Call, therefore, is an option on stock, just like an option taken by a real estate operator on a certain piece of land. The real estate operator does not care to purchase it unless he can also get the adjoining property. He cannot show his hand at once, so in many cases, instead of chancing to buy the property, he gets an option on it for a certain period. If he can consummate his deal, he exercises his option. If he cannot, he lets it expire, and, instead of having the property on his hands, he loses only what he has paid for the option.

Options on stocks have at various times been called "gambling contracts." The truth is that they are not any more a gambling contract than is the option taken by the real estate operator, because, in a gambling contract, what one wins, the other loses, and this is not true in the case of stock options, as we shall explain.

How Puts and Calls Work

U. S. Steel is selling at 80. Certain events have occurred or are about to occur which lead you to believe that this stock is due to advance.

If you wanted to buy 100 shares of the stock itself you would be required to put up at least $1,000 margin, and you would also have to pay interest on the unpaid balance of the purchase price. In the event that your judgment was incorrect and the stock declined instead of advancing, your $1,000 would be reduced and you would be asked to put up more money. In the event that you could not supply additional funds, you would be forced to sell the stock and take your loss.

Such trading, known as margin trading, requires considerable capital and involves considerable risk, inasmuch as in a severe break, the broker, in order to protect himself, might be forced to sell out the stock and your entire margin might then be wiped out, while within the short period of an hour or two the market might rally, and if the trader had been in a position to put up the additional money required he could have avoided being sold out.

Instead of depositing $1,000 or $1,500 to buy 100 shares of Steel on margin, which money might be lost over night, the trader can for a nominal sum purchase a Call a short distance away from the then market price of the stock, such Call being good for 7, 15 or 30 days, and can then take advantage of market fluctuations without depositing any further margin, and without any greater possible loss than the sum paid for the Call.

Let us say that you purchase a Call on Steel 2 points up from the 80 price, making your Call read at 82, good for 30 days. Some time in 30 days, if Steel advances, let us say to 88, you give an order, as follows: "Sell 100 Steel at 88 and call the stock at 82." Your account would then show the following transactions:

Sold 100 Steel at 88	**$8,800.00**	
Less commission and tax ...	**19.00**	
		$8,781.00
Bought 100 steel a/c Call at 82	**$8,200.00**	
Plus commission	**15.00**	
		8,215.00
Difference—Profit		**$566.00**

Now suppose that, instead of believing that Steel will go up, you think that it will go down. You can then purchase a Put on Steel, say, 2 points down from the 80 price, good for 30 days. Your Put would be at 78. Steel declines to 70. You could then buy 100 shares of Steel at 70 and deliver it to the maker of the Put at 78, and your account would show the following transactions:

Sold 100 Steel a/c Put at 78	**$7,800.00**	
Less commission and tax	**19.00**	
		$7,781.00
Bought 100 Steel at 70.	**$7,000.00**	
Plus commission	**15.00**	
		7,015.00
Difference—Profit ...		**$766.00**

At no time would you have had a greater investment than the amount paid for the Put or the Call which is generally about $137.50 per 100 shares for a 30-day option. This example is based on a standard stock like Steel, but a similar transaction can be conducted in any other issue traded in on the New York Stock Exchange.

JOHN BROKER
PUTS AND CALLS

PUT

On......Shares......at......New York, ...192
For Value Received, the Bearer may DELIVER ME on one day's notice except last day when notice is not required ....Shares
of the............Stock of the..................
at ....
Dollars per share any time in.........days from date.
All dividends for which Transfer Books close during said time, go with the stock.
Expires..................192....
....
..............M.

Form of PUT used by Specialists in Puts and Calls

Assuming you made money on your option, no matter whether it was a Put or a Call, this does not necessarily imply that the writer of the Put or Call lost money, consequently the transaction was not a "gambling contract" in the sense that in a gambling contract, what one wins the other loses.

Who Writes Puts and Calls

Puts and Calls are written by traders who may be long or short of the market and who offer their wares through Put and Call brokers, just as you buy and sell stocks through a stock broker. Mr. Jones, we will assume, has bought a hundred shares of U. S. Steel at 80. He thinks that it is cheap. At that price it nets him 6¼% on his investment. Money is loaning at 4½%, and standard bonds are selling on a 4½% basis. He feels that U. S. Steel is as good as a bond selling on a 4½% basis. This is his opinion, and we are in no way concerned with it, because Mr. Jones is a trader.

However, Mr. Jones is willing to take a profit, so he says to a Put and Call broker, "I will sell a Call on 100 Steel 2 points up from the 80 price." If the

broker can sell this Call, he delivers it to his customer, made out on the blank illustrated and receives the premium, which varies with the length of time the option has to run (7, 15 or 30 days).

Thirty-day options are usually sold for $137.50. The broker charges a commission to the writer of the option of $12.50 and pays Mr. Jones $125. Mr. Buyer has a Call on 100 Steel at 82. Mr. Jones, the writer, has the premium, $125. If the stock advances and is called, Mr. Jones gets 82 for his stock, which cost him 80, plus $125, the premium received for the Call, and he has therefore made a nice profit. If Mr. Buyer does not call the stock Mr. Jones still has 100 Steel, which nets him 6¼% yearly, and $125 which he received for the Call. If he desires, he can deduct the $125 from the cost of the 100 shares Steel, and if not, he can figure it as an extra dividend. If he does this 12 times yearly, as is possible, he can collect 12 times $125, or a total of $1,500 in premiums. He can either mark his stock down to 65, or figure the money received as $1,500 income, plus $500 dividends received from the company, a total of $2,000 yearly on an $8,000 investment, or 25% yearly income.

Points Away—How They Are Determined

The cost of Puts and Calls varies with the length of time they have to run, and the unit is 100 share lots. Odd lots of Puts and Calls are sold at slight advances from the price for 100 share lots. The cost of 100 share Puts and Calls for 30 days, is $137.50, 100 shares for 15 days, $75, and 100 shares for 7 days, $50. The number of points away at which options are sold varies with the length of time the option has to run and with the market activity of the stock. These points away are established by the writers of the papers and competition among them in making attractive offerings and disposing of their wares is keen. Options on stocks like Mexican Petroleum and Crucible, which are exceptionally active and which are apt to advance or decline five or six points in a single day, are sold at figures further away from the market than options on stocks like Pennsylvania and Southern Pacific, which latter do not fluctuate so violently.

The writers of Puts and Calls dispose of their offerings through Put and Call brokers, and the buyers of options obtain them through the same source. As a consequence there are two sides to the Put and Call market, which at times is very active. Within the past few years trading with Puts and Calls in Wall Street has increased rapidly and bids and offerings on blocks of 10,000 shares of an issue are a common occurrence.

Their Possibilities as an Insurance Protection

We have so far explained what Puts and Calls are and how one can use them in trading on either the upside or the downside of the market.

JOHN BROKER
PUTS AND CALLS

CALL

On......Shares......at......New York, ...192
For Value Received, the Bearer may CALL ON ME on one day's notice except last day when notice is not required ....Shares of the...........Stock of the..................
at ....
Dollars per share any time in.........days from date. All dividends for which Transfer Books close during said time, go with the stock.
Expires.................192....

....

...............M.

Form of CALL used by Specialists in Puts and Calls

There is one feature of the use of Puts and Calls which is of such pronounced value that every trader should be fully acquainted with it. This is their use as an insurance safeguard.

Everyone knows what a panic is like. Perhaps you have been through a panic. Staid, reputable brokers become wild-eyed. Every security is viewed with suspicion—everything is thrown on the market. Rumors float around freely. If they are bad, they are believed and travel rapidly. The world looks black, and the situation breaks into a wild dumping of securities, the best of all among them, without regard for what they will bring. A panic can be compared to a hurricane. After a hurricane we see nothing but desolation, but eventually the damage is repaired. After a panic we see financial wrecks all around us, but eventually things right themselves. However, by that time thousands of holders of securities, unable to margin their accounts, have been sold out and in some cases their life savings are gone, only to have the market right itself later and see their stocks go up again. The legitimate broker has lost his customers, while the bucket shops have reaped a harvest of ill-gotten gold.

Even in ordinary times a rumor, falsely circulated, might cause a break in the market price of a stock which might ruin a trader who held it. Later on the rumor might be officially denied and the stock would sell back to its former level, yet someone has been hurt. Who will make good to him?

Now, almost every possible contingency in business is covered by insurance. The modern business organization protects itself against fire, burglary, embezzlement, credit and freight losses. The farmer insures himself against lightning and hurricanes. The individual insures himself against loss of life or accidents to his person. A man will insure his automobile against theft, fire and accident, even if it be a Ford—and yet he will buy a hundred shares of stock costing as much as ten Fords and will never even give a passing thought to stock market "panic" insurance.

Advantage of Puts and Calls

Mr. A. is a reputable merchant carrying a hundred shares of stock in a company with which he is fully acquainted. He has this stock in a margin account with his broker. The market gets weak and his stock sells down. He knows that the company is in as good a financial condition and doing as much business, even with lower quotations for the stock, as when the shares were quoted much higher. He knows that the indiscriminate selling of other issues has no relation to the stock which he is holding. He is temporarily embarrassed for money. He knows that within thirty days he will be able to give his broker additional margin or pay outright for the stock, but his statement to this effect does not help his broker, who of course has to keep the stock margined in his loans with the banks.

Mr. A.'s reputation and credit as a business man are not worth ten cents against the current quotations for the stock which he is holding. What can he do to protect his broker from loss until he gets his additional funds? Suppose he is not familiar with Puts and Calls and their various uses. He holds on until he can hold on no longer and his broker has to put in a stop loss order, which is reached and which wipes out his equity in the stock. By thirty days thereafter the market may have recovered, and when Mr. A. could have paid up in full for his stock it is back again to the price at which he bought it. But he has lost his original margin and is sore at Wall Street and the business methods which prevail there. He knows that his credit is worth $100,000 with the mercantile world, but it is not worth a cent with his broker. If this man had been properly advised by his broker and had bought a Put against his stock, both he and the broker would have been protected. He could have carried his stock, protected with the Put which he had bought, and when he was in a position to take up the stock he could have done so. He would then be a satisfied customer and the broker would have a friend instead of a dissatisfied client.

This article briefly outlines the essential features of Puts and Calls and indicates the various ways in which they can be used in trading in Wall Street. The writer believes that a clearer understanding by the general trading public of the methods of trading with Puts and Calls and the resulting appreciation of their advantages will lead to a much wider use of them. But if this article does no more than to remove some of the unfounded prejudice against Puts and Calls, which prejudice is based almost entirely on lack of knowledge and understanding, the writer feels that the effort has been worth while.

YOUR OWN EXPERIENCES

The foregoing article concisely presents the theoretical uses and advantages of Puts and Calls. It remains for our readers to describe their actual experiences in the use of options of this sort. Letters on the subject, whether short or long so long as they are available for publication, would be welcome. They should not exceed 1,000 words.—EDITOR.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		Year 1922		Last Sale Jan. 26 1922	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	75	104	76	100	91¾	96	6
Do. Pfd.	106¾	96	102⅛	77	89	72	88⅛	84½	86½	5
Atlantic Coast Line	148½	102⅛	126	79⅞	107	77	90¾	83	‡87	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	35⅝	33⅝	34	..
Do. Pfd.	96	77¼	80	48¼	59½	38½	54¾	52½	53¾	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	126½	119⅛	122¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	57⅜	54	56	4
Chicago Great Western	36⅞	1¼	17⅛	6	14½	6¼	6⅜	5½	‡6¼	..
Do. Pfd.	64⅛	28	47⅛	17⅛	33⅜	14	16½	14⅞	‡15⅛	..
C. M. & St. Paul	165⅛	96¾	107⅛	35	52⅜	17¼	19½	16½	18⅜	..
Do. Pfd.	181	130½	143	62⅛	76	29⅛	33	29	30⅜	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	65⅛	59	63	5
Chicago R. I. & Pacific	..	..	45¾	16	41	22⅝	32¾	30¾	31½	..
Do. 7% Pfd.	..	..	94¾	44	89¾	64	88⅝	83¼	86	7
Do. 6% Pfd.	..	..	80	35¾	77	54	74¼	70¼	72½	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	56	54	‡54½	..
Delaware & Hudson	200	147½	159½	87	116	83¼	110⅛	106¾	107½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	119¾	112½	112½	8
Erie	61⅛	33½	59½	18⅜	21⅜	9½	10⅜	7	8¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	23	15	16	11⅛	12⅛	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	23⅜	10	11	7⅛	8⅝	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	74	70¼	73¼	7
Illinois Central	162⅛	102¾	115	85¾	104	80⅞	102½	97½	100	7
Kansas City Southern	50¼	21⅜	35⅛	13⅛	28⅞	13	23⅞	22⅛	22⅝	..
Do. Pfd.	75½	56	65⅛	40	57	40	55⅛	52¾	54	4
Lehigh Valley	121⅛	62⅛	87⅛	50⅜	60¾	39¾	60¾	56⅝	58	3½
Louisville & Nashville	170	121	141⅞	108	122¾	94	115¾	108	112	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	6	5	‡5⅛	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	⅜	1⅜	⅜	⅝	..
Do. Pfd.	78¼	46	60	6⅛	25⅛	2	2⅜	1½	2	..
Mo. Pacific	*77⅛	*21⅛	38½	19⅞	38⅞	11⅛	18	16	16⅛	..
Do. Pfd.	..	..	64⅞	37½	58¾	33⅜	46⅞	44	44⅝	..
N. Y. Central	147¾	90⅝	114¼	62½	84¼	64⅛	75¾	72¾	74¼	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	56⅞	51⅝	‡53	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	16¼	12⅜	14⅞	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27¾	16	22¼	19¾	20	2
Norfolk & Western	119¼	84¼	147⅛	92⅜	112½	84¼	100½	96¼	‡98½	7
Northern Pacific	159⅛	101¾	118⅞	75	99⅞	61¼	78⅛	74¼	77	7
Pennsylvania	75⅝	53	61⅛	40¼	48⅛	32¼	34¼	33¼	34¼	2
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	21	19	20½	..
Pitts. & W. Va.	..	..	40⅝	17¾	44¾	21⅛	25¼	23⅜	24	..
Reading	89⅝	59	115½	60⅛	108	60⅜	75	71⅛	72	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	48⅛	44¼	‡44	2
Do. 2nd Pfd.	58¾	42	52	33⅜	65½	33¼	51⅜	46	49¾	2
St. Louis-San Francisco	*74	*13	50⅛	21	38⅞	10⅜	22⅝	20⅝	21½	..
St. Louis Southwestern	40⅜	18½	32½	11	40	10⅞	22¼	20¼	21½	..
Do. Pfd.	82⅜	47½	65⅛	28	49¾	30⅛	35⅛	32⅜	34	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	82⅞	78⅛	80¾	6
Southern Ry.	34	18	36¾	12½	33¼	17⅜	19⅞	17⅛	18	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	50⅜	43	48	..
Texas Pacific	40½	10¼	29¼	6½	70½	14	27½	24⅝	27⅜	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	130⅝	125	127⅛	10
Do. Pfd.	118½	79¾	86	69	74¾	61¼	74⅛	71¼	‡72⅞	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	6⅞	6¼	6⅜	..
Do. Pfd. A	*61¾	*6⅛	60⅛	30⅞	38	17	21	19½	‡19⅝	..
Do. Pfd. B	..	..	32⅞	18	25½	12⅛	13¼	12¾	‡12¾	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅝	9⅜	8⅜	8½	..
Western Pacific	..	..	25½	11	40	15	17¼	15	15⅛	..
Do. Pfd.	..	..	64	35	78	51⅛	54	51¾	53	6
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	18¼	6⅛	7¼	6⅛	6¾	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62¾	34	59½	55⅛	58	4
Do. Pfd.	..	..	..	..	103¾	83	105	101	‡102¾	7
Allis Chalmers	10	7⅝	49⅛	6	53⅞	26½	45	37¾	41⅞	4
Do. Pfd.	43	40	92	32¼	97	67¼	92	86½	91½	7
Am. Agr. Chem.	63⅝	33⅛	106	47¾	113⅝	26⅛	34½	29⅜	33⅝	..
Do. Pfd.	105	90	103½	89⅛	103	51	59½	55¾	‡58	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24⅛	37¼	31¾	‡35	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	40⅝	33½	36⅝	..
Am. Can.	47⅞	6⅞	68½	19¼	68⅝	21¾	36⅝	32½	36¼	..
Do. Pfd.	129¼	98	114½	80	107⅝	72	97⅜	93¼	95⅞	7
Am. Car & Fdy.	76½	36⅛	98	40	151¼	84⅛	148	141	145½	12
Do. Pfd.	124¾	107½	119⅛	100	119	105¾	118¼	115½	‡117	7
Am. Cotton Oil	79¼	33⅛	64	21	67½	15⅛	22½	19¼	20⅝	..
Do. Pfd.	107½	91	102¼	78	93	85⅛	44	41	‡43	..
Am. Drug Syn.	..	..	..	..	15⅛	4	6½	4½	5⅞	..
Am. Hide & L.	10	3	22¼	2⅛	43⅛	5	14½	12	13	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	63½	58	60	..
Am. Ice	..	..	49	8⅞	83½	37	86½	78	83½	6
Am. International	..	..	62¾	12	132¼	21¼	42	38½	39⅞	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	32⅝	29⅜	31½	..
Am. Loco.	74¾	19	98¼	46⅝	117⅛	58	108½	102	105	6
Do. Pfd.	122	75	100	93	115	96⅛	115	112	‡113	7
Am. Safety Razor	..	..	..	..	22	8½	4⅝	3⅝	4	..
Am. Ship & Com.	..	..	..	..	47½	4¾	9⅞	5½	8⅝	..
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	89¾	29¼	48	43⅝	46	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	91½	86⅛	89¼	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	33⅜	31⅛	31	3
Do. Pfd.	..	..	..	..	96½	78	96½	94	‡92	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	68⅜	54⅛	64¾	..
Do. Pfd.	133½	110	123⅛	106	119	67½	94¾	91⅛	91½	7
Am. Sumatra Tob.	..	..	145¾	15	120⅛	28½	35⅜	30⅝	30⅝	..
Do. Pfd.	..	..	108	75	105	64⅜	71	57½	57½	7
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	119½	92⅛	118½	114½	116¾	9
Am. Tobacco	*530	200	256	123	314½	104⅛	135⅜	129⅝	131⅞	12
Do. B.	..	..	..	..	210	100⅛	131¾	126	‡128½	12
Am. Woolen	40⅝	15	60⅞	12	169¼	55⅛	84¼	78¼	81⅞	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	105	102½	‡104	7
Anaconda	54⅜	27⅛	105⅝	24¼	77⅞	30	50⅛	47⅞	48½	..
At. Gulf & W. I.	13	5	147¾	4⅛	192⅝	18	31⅛	27⅝	28⅜	..
Do. Pfd.	32	10	73⅜	9⅞	76½	15¾	23	20⅛	21	..
Baldwin Loco.	60⅜	36½	154½	26⅝	156¼	62¼	98½	92⅜	95¾	7
Do. Pfd.	107½	100⅛	114	90	111⅞	92	106	104	‡105	7
Bethle. Steel B.	*51⅝	*18⅜	155½	59⅜	112	41⅛	61⅝	56½	60¼	5
Do. 7% Pfd.	80	47	186	68	108	87	92⅛	91½	‡92	7
Do. 8% Pfd.	..	..	110⅛	92½	116	90	109	104	‡108	8
Calif. Packing	..	..	50	30	87½	48⅛	71⅝	68	68½	6
Calif. Petro.	72½	16	42⅝	8	56⅞	15⅜	48⅞	43½	45⅞	..

Active Stocks' Price Range

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	Year 1922 High	Year 1922 Low	Last Sale Jan. 26 1922	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29⅝	88	68	87	83	85⅝	7
Central Leather	51¾	16½	123	25⅞	116⅛	22¼	23⅞	29⅝	31⅛	..
Do. Pfd.	111	80	117½	94⅝	114	57⅛	67⅞	63⅝	65	..
Cerro de Pasco	..	..	55	25	67½	23	35⅜	32⅞	34	..
Chandler Mot.	..	..	109⅝	56	141¼	38¼	62¼	47¾	59½	6
Chile Copper	..	..	39¼	11⅛	29¼	7¼	18¼	15⅛	17	..
Chino Copper	50⅝	6	74	31⅝	50⅞	16⅝	28⅜	26¼	27	..
Coca Cola	..	..	..	..	43⅝	18	45⅝	41	43⅛	4
Colum. Gas & E	..	..	54⅛	14⅛	69	39¼	69⅝	64⅝	68	6
Columbia Graph.	..	..	*166	*97	75¼	2⅜	2⅞	1¼	1⅛	..
Consol. Cigar	..	..	..	..	80	13⅛	30⅝	21	27	..
Consol. Gas	165¼	114½	150⅛	112⅛	106⅝	71⅝	94½	87	88	7
Corn Prod.	26½	7⅝	50½	7	105¼	46	104¼	91¼	101½	6
Do. Pfd.	98½	61	113⅛	58⅛	112	96	115½	111	‡112	7
Crucible Steel	15⅝	6½	109⅞	12¼	278½	49	67⅛	57⅛	61¼	4
Cuba Cane Sugar	..	..	76⅝	24⅞	59⅝	5⅝	10⅝	8⅛	9⅛	..
Cuban Am. Sugar	*56	*33	*273	*38	*605	10⅞	21	14⅛	18⅛	..
Fisk Rubber	..	..	..	..	55	8⅝	12⅞	11⅛	12⅛	..
Freeport Tex.	..	..	70½	25⅝	64⅝	9⅛	14½	12¼	12⅛	..
Gen'l Asphalt	42⅞	15⅛	39⅝	14⅛	160	32⅛	65⅝	55⅛	56⅛	..
Gen'l Electric	188½	129¾	187¼	118	176	109¼	144¼	136	143	8
Gen'l Motors	*51⅝	*25	*850	*74½	42	9⅝	10	8¼	8½	..
Do. 6% Pfd.	..	..	99½	72⅝	95	63	73	69	‡70	6
Do. 6% Deb.	..	..	..	..	94⅝	60	73	69	69½	6
Do. 7% Deb.	..	..	..	..	94	69	85	80¼	80¼	7
Goodrich	86½	15½	80¼	19⅝	93⅝	26⅝	38⅝	34½	36⅝	..
Do. Pfd.	109⅜	73⅝	116⅝	79⅞	109½	62½	87	80½	85½	7
Gt. Nor. Ore.	88½	25½	50⅝	22½	52⅝	24⅝	32⅞	31⅝	31⅝	4
Haskell-Barker	..	..	54½	27½	82	40	84½	76¼	‡82½	4
Houston Oil	25½	8¼	86	10	116½	40½	77½	70	72⅝	..
Hupp Motors	..	..	11⅝	2⅛	23¼	4⅝	14¼	10	12½	1
Inspiration	21⅝	18⅞	74⅝	14½	68⅞	28	41	38	39	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅝	7⅛	15¼	13¼	14	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	68¼	62¼	65⅝	6
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	12⅞	11¼	12¼	..
Inter. Paper	19⅝	6½	75½	9⅛	91⅝	30½	52	46½	48⅞	..
Invincible Oil	..	..	..	..	47⅛	5½	18⅞	12⅞	14¼	..
Island Oil	..	..	..	..	7⅛	2	3	2⅛	2½	..
Kelly Springfield	..	..	85¼	36⅝	164	25⅛	42½	34¼	36⅝	..
Do. Pfd	..	..	101	72	110⅛	70⅛	94	90½	‡93	8
Kennecott	..	..	64¼	25	43	14⅝	30¼	25½	28½	..
Keystone Tire	..	..	46½	11	126⅝	8¼	18½	15½	15⅝	..
Lackawanna Steel	55½	28	107	26⅛	107⅝	32	50	44	45⅞	..
Loews, Inc.	..	..	..	..	38⅝	10	13⅝	12⅝	12	..
Loft, Inc.	..	..	..	..	28	7⅝	9⅞	9	9⅝	1
Mexican Pet.	90½	41⅝	129⅝	46⅛	264	84½	115¼	106⅝	111¼	12
Miami Copper	30¼	12⅝	49⅝	16½	32⅝	14½	28	26	27	2
Middle States Oil	..	..	..	..	71⅜	10	13⅝	11⅝	12	1.20
Midvale Steel	..	..	98½	89½	62¼	22	32⅝	27⅞	30½	..
Nat'l Lead	91	42½	74⅝	44	94½	63½	94½	85	88	6
Nevada Copper	30	18	34⅛	10⅛	21⅞	8	15⅛	14¼	14½	..
N. Y. Air Brake	98	45	186	55⅞	145⅝	47½	62½	58	‡56	..
N. Y. Dock	40¼	8	27	9⅛	70⅝	16⅛	33⅝	29⅞	31½	2½
North American	*87⅞	*60	*81	*38⅝	46	32¼	56	44	54⅞	3
Do. Pfd.	..	..	..	..	41½	31⅞	41⅝	39⅛	41⅛	3
Pacific Oil	..	..	..	..	50⅝	27½	47⅞	44⅝	45½	3
Pan. Amer. Pet.	..	..	70⅝	35	140¼	38⅛	53⅝	48¼	50⅝	6
Do. B	..	..	..	..	111⅝	34⅛	48	44	45⅞	6
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	34⅜	31	32⅝	8
Phillips Pet.	..	..	..	..	44½	16	33	28¼	29½	2
Pierce Arrow	..	..	65	25	99	9⅛	17¼	13⅛	15⅞	..
Do. Pfd.	..	..	109	88	111	21	36⅝	29⅝	34	..
Pittsburgh Coal	*29⅝	*10	58⅝	37½	74⅝	45	63¼	59⅝	59⅝	5
Pressed Steel Car	56	18⅛	88¼	17⅛	113⅝	48	66	63	63⅝	..
Do. Pfd.	112	88½	109⅛	69	106	83	93	91¼	‡92½	7
Punta Aleg. Sug.	..	..	51	29	120	24⅝	39⅝	30⅝	36½	..
Pure Oil	..	..	143⅝	31⅞	61⅞	21⅛	38⅝	33⅝	34	2
Ry Steel Spg.	54½	22¼	78½	19	107½	67	100½	94	96	8
Do. Pfd.	113⅝	90¼	105½	75	112	92⅛	109⅝	105	109⅝	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	15⅝	14⅛	14⅝	..
Replogle Steel	..	..	..	..	93½	18	41	25½	30½	..
Republic I. & S.	49½	15⅝	90	18	145	41⅛	56½	50½	52¼	..
Do. Pfd.	111¼	64½	112⅝	72	106⅝	75¼	87½	85	86	7
Republic Motors	..	..	77	81	74½	5	8½	6⅞	7¼	..
Royal Dutch N. Y.	..	..	86	56	128⅝	40⅛	52⅝	48⅞	50	5.20
Shell T. & T.	..	..	..	..	90⅛	30⅝	38½	37	37	.74
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16⅛	21⅞	18⅜	18⅝	..
Sloss Shef. Steel	94⅝	28	93¼	19½	89	32½	44	36	40	..
Stand Oil N. J.	*445	*322	*800	*355	212	124½	183	169¼	175	5
Do. Pfd.	..	..	..	..	114½	100½	115¾	113⅜	115	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	43⅝	35¼	38½	..
Studebaker	49½	15⅝	195	20	151	37⅝	90¼	79½	88⅝	7
Do. Pfd.	98½	64½	119½	70	104½	76	106	101	106	7
Superior Steel	..	..	96	30¼	60	26	31½	26	‡29½	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6⅛	10⅝	9⅝	10⅛	..
Texas Co.	144	74½	243	112	57⅝	29	46	42¼	44	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅝	26⅝	23	23¾	1
Tobacco Prod.	145	100	82⅝	25	115	45	65½	61⅛	63½	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	11	9⅝	10⅛	..
United Fruit	208½	126½	173	105	224⅞	95⅜	129¾	119¾	128½	8
Un. Retail Stores	..	..	..	..	119¼	45¼	56⅝	50¼	53⅝	6
U. S. Food Prod.	41⅝	9⅜	64⅜	5½	91⅝	5½	10⅛	6⅞	7	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	44½	37	42⅝	..
U. S. Rubber	69½	27	80½	44	143⅜	40⅛	56⅛	51⅝	53¼	..
Do. Pfd.	123⅛	98	115¼	91	119¼	74	101	99¼	100	8
U. S. Smelt & R.	59	30⅝	81½	20	76¼	26	37⅛	34½	‡33½	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	88	82	85⅛	5
Do. Pfd	131	102½	123	102	117½	104⅛	118	114¼	85¼	7
Utah Copper	67½	88	130	48½	97½	41⅛	65⅛	60⅝	62⅝	2
Vanadium	..	..	..	..	97	25⅛	37⅛	30¼	34	..
Va.-Caro. Ch.	70⅝	22	60¼	15	92½	20⅜	31	27½	30⅛	..
Do Pfd.	129¼	62	115⅝	80	115⅝	57⅝	70	67⅝	68⅝	..
Western Union	86½	56	105½	53⅝	94	76	92½	90½	91½	7
Westinghouse Mfg.	45	24⅜	74⅞	32	59⅞	38⅞	51½	49⅛	50⅞	4
White Motors	..	..	60	30	86	29½	44	35⅛	38⅛	4
Willys Overl'd	*75	*50	*325	15	40¼	4⅝	5⅞	5⅛	5½	..
Wilson Co.	..	..	34¼	42	104⅞	27½	32⅞	27⅞	31¼	..
Woolworth	117⅞	76⅛	151	81½	139⅝	100	148⅞	137	144½	8

*Old stock. ‡Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 482)

INTERNATIONAL PETROLEUM, LTD.

Properties in South America

Would you kindly advise me your views of International Petroleum Ltd.? A condensed statement of the capital, liabilities and business. I have been advised by a friend who is pretty shrewd and ought to know something of the company to buy some of the stock. Before doing so preferred hearing your views.—B. M. J., Thomasville, Ga.

International Petroleum Co. is capitalized as follows: Preferred stock par value $5, 100,000 shares outstanding; common stock no par value, 7,122,504 shares outstanding. The company has no funded debt. A dividend of 25 cents a share was paid in January, 1921, and another dividend of 25 cents was paid January 3, 1922. The company is controlled by the Imperial Oil Co., Ltd., of Canada, which in turn is controlled by the Standard Oil of New Jersey. The company owns large petroleum claims in Peru considered among the most valuable oil properties in South America and is producing from this property close to 2,000,000 barrels of oil a year.

The greatest possibilities of the company, however, are thought to lie in its large holding of oil concessions in Columbia. Through its subsidiary, the Tropical Oil Co., this company controls the oil rights of 2,000,000 acres. The latter properties are not yet developed and it is estimated that the company plans to spend from $20,000,000 to $25,000,000 in developing these concessions. The stock should be regarded as speculative, but appears to have attractive possibilities as a long pull proposition. In view of the large funds it has to spend in development, however, it is rather expected that the dividend policy will be decidedly conservative and in purchasing this stock you may have to wait some time before it shows you substantial profits.

PRAIRIE PIPE LINE

Worth Holding

I have ten shares of Prairie Pipe Line bought at 290 some years ago. Would you advise selling at the present market price?—S. B. W., Irwin, Pa.

The Prairie Pipe Line Co. acts as a common carrier of crude oil in the states of Kansas, Oklahoma, Arkansas, Missouri, Iowa, Illinois, and Indiana. It has over 6,000 miles of trunk and gathering pipe lines, a private telephone and telegraph system, pumping stations, etc., its lines connecting over 16,000 producing wells. At the present market for the stock, your investment shows you a considerable loss. However, owing to the progressiveness of the management of the company with its Standard Oil affiliations, and constantly increasing business and earnings, we regard the present decline in value as temporary and do not think you need have any uneasiness about the outcome of your investment. The last available balance sheet which we have is for the period ending December 31, 1918, and it would therefore be useless to make an analysis owing to the fact that it would not include operations for the past three years. We would advise you to hold the stock for better prices.

PURE OIL

Has Valuable Properties

Will you kindly give me your opinion on Pure Oil common stock? I understand the company is well managed and making large earnings, and as it appears to have large interests in the new Mexia field, which are proving up well, there should be a possibility of a substantial rise in the price of the stock—P. G. C., New York City.

Pure Oil Co. for the year ended March 31, 1921, earned $2.29 per share on the common stock as against $2.80 in 1920. The company is in strong financial condition with a working capital of about $15,300,000. Capitalization consists of $11,043,000 bonds, $9,959,600 8% preferred stock par $100, $8,237,000 6% preferred stock, par $100, $1,763,000 4¼% preferred stock, par $100, and $50,381,625 common, par $25.

Of the $9,959,600 8% preferred outstanding $4,300,000 was offered December 5th at par by a strong banking syndicate. This new issue of preferred stock was for the purpose of raising money to finance the company's purchases in the new Mexia field. The company's interest in this field was obtained by the purchase of one third of the stock of the Humphrey-Texas Company for $4,500,000 and the purchase of 12½% stock of the Humphrey-Mexia Company for $2,500,000. These two latter companies are said to have about 60% of the proven acreage in this field with a present production of around 40,000 barrels daily. This company has very valuable properties without question and we regard its future possibilities as excellent.

Recently this stock has become somewhat reactionary because of the report that a certain well in the Mexia field went to salt water. This well was on the outskirts of the field and the officials of Pure Oil say that the salt water in this well has very little, if any, significance. The stock is regarded as speculative but appears to have fair possibilities at present levels.

GENERAL ASPHALT

Intrinsic Value Undetermined

I should like to know what value you place on the common stock of General Asphalt. I know that it is a speculative favorite, but what I want to get at is its intrinsic value.—P. P. R., Pittsburgh, Pa.

It is impossible, from the financial records available, to form an accurate conception of the value of General Asphalt Company's properties. The company owns the concession to asphalt lakes in the Island of Trinidad which expires 1930. It owns an asphalt lake and title to 11,000 acres of land in Venezuela, it owns a concession providing for the exploitation of oil lands in the state of Sucre, Ven.; it owns in fee simple, 4,833 acres of land in Gar-

field County, Colorado and Uintah and Duchesne Counties, Utah, of which 480 acres are coal lands providing bituminous coal mined solely for the company's use, the remaining lands containing extensive deposits of gilsonite; in connection with the Royal Dutch Shell group it owns about one-half of the stock of the Burlington Investment Company, which is reported to have valuable rights in Venezuela. Through its subsidiary it owns at Maurer, N. J., the largest factory in the world for refining asphalt for the manufacture of asphalt products. Also, through subsidiary companies it owns three smaller refineries, a plant at Des Moines, Iowa, and a plant at Buffalo, N. Y.

The present capitalization of the General Asphalt Company consists of:

Ten Year Sinking Fund Convertible 8s, due Dec. 1, 1930	$4,000,000
Six per cent debentures due April 1, 1925	1,415,000
Collateral loans	350,000
Bonds of underlying companies	439,207
Preferred stock 5% cumulative	7,436,100
Common stock	19,845,850

The company reported a total deficit for operations for the six months ended June 30, 1921, of $911,567.

There is no more speculative stock, in our opinion, on the Exchange than that of the General Asphalt Company. From an examination of their holdings and concessions, it is apparent that the properties have potential value, but should development not justify the expectation of the return that should be derived from the property, there would be no reason for the current price of the stock.

On the other hand should its Venezuelan leases and concessions prove to contain large quantities of oil, the stock would doubtless do better.

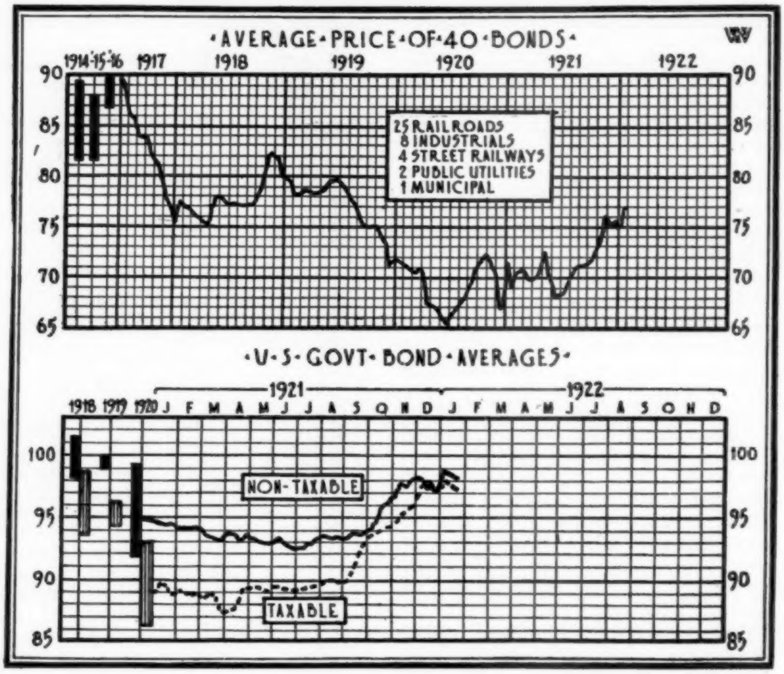
LONDON RECOVERING LOST PRESTIGE

(*Continued from page* 452)

It will be seen from the facts enumerated above that the financial supremacy of the world, insofar as international finance is concerned, has not as yet been usurped by the United States and that Great Britain intends to offer the most strenuous competition to American bankers. During the past two years an enormous volume of foreign government securities, that were previously placed in London, have been brought to America and sold to investors here. It is known that English investors have repurchased some of these securities and it is quite likely that her purchases will increase rather than diminish in the future. **One important fact that must not be overlooked in this connection is that most of the loans listed in the table accompanying this article bear 6%, 6½% and 7% interest, and that they were issued at a time when the rate for foreign government loans in the United States was 8%.**

THE BOND MARKET

(Continued from page 461)



Current Bond Offerings

THE outstanding feature of the new offerings department of The Bond Market during the past fortnight has been the flood, comparatively speaking, of railroad equipment financing. In the week before going to press, no less than 26-millions of dollars of equipment notes and equipment trust certificates were offered to investors. The yields available on the more important issues in this class, as shown in the attached table, varied from 5.53, for the short term Pennsylvania issue to as high as 6% for the Chesapeake & Ohio issue.

This development may be pointed out as one of the most important that could occur. It may be interpreted as indicating confidence on the part of railroad executives that their credit position has been sufficiently well restored to warrant the financing they have long needed to do. Success of the offerings will produce sufficient capital to permit purchases of equipment on a comparatively large scale, and thereby improve the country's basic manufacturing industry—steel.

The equipment issues listed in the table all mature between 1924 and 1935, and are all callable at 103, on 60 days' notice. However, they offer satisfactory yields, in view of the safety element, and have good possibilities. There is not much choice between them, since they are all offered on practically the same basis. It is interesting to note that bonds of this class, if sold two years ago, would have been marketed on a 6.90-7% basis.

Lumber Company Finances

The next most interesting feature of the market, in a sense, was the offering of $7,330,000 Pacific States Lumber 1st mortgage 8s at prices to yield 8.20 to 8.40% on the investment. The net earnings of this company, for the 5-year period ending December 31, 1921, after deducting all taxes and funds available for depreciation and bond principal have aggregated $5,028,519. Taxes and other carrying charges on non-operating property which properly have been capitalized amounted during this period to $549,860. Net earnings adjusted in respect of such carrying charges have thus aggregated $5,618,379, or an annual average of $1,123,675. The maximum annual interest charge on the 1st mortgage bonds amounts to $586,400. They are secured by property valued at $24,000,000 (the issue calls for $7,330,000) and are retirable by sinking fund. The bonds appear to be a good business man's bond.

The New-Book Letter

The Investor and the Income Tax

This is an interesting treatment of the income tax problems which affect investors. The booklet contains several tables of reference of the "handy" description. Many unique problems are discussed at length. "The Investor and the Income Tax" is handled in question and answer form, and written very clearly and interestingly. The booklet is a compilation by Chambellan & Berger, certified public accountants, and issued by Frank J. Mulligan.

IS FORCED LIQUIDATION ENDED?

(*Continued from page* 453)

year. This provides a basic foundation whose importance should not be minimized. Its influence with respect to the present problem is evident in several ways.

How the Situation Has Improved

(1) Prices have tended to become rather stabilized. Since April the index number of wholesale prices cited above has fluctuated within a range of only four points. Increases in prices have been evident in various basic commodities during the autumn, and have been paralleled by increase in output in various lines. Particularly encouraging is the fact that industries which were the last to feel the effects of the readjustment process, such as steel, have commenced to show signs of recovery. These improvements have made the situation of producers and distributors easier, and have aided liquidation.

(2) Inventories have been gradually decreased in many cases. Buying has been largely on a hand to mouth basis, and stocks have often been kept at a minimum. Consumers' demand, as evidenced by retail trade, has been well maintained, and has materially aided in reducing stocks of merchandise. In other cases, corporation inventories have been written off, and losses taken. In short, liquidation of surplus stocks appears to be well in hand.

(3) The banking situation has improved. The volume of bank credit has been greatly reduced, while partly because of this and partly because of increased holding of gold, the reserve ratio of the Federal Reserve Banks stood on January 11 at 74.7%. But of more importance is the condition and liquid character of the portfolios of banks throughout the country. "Frozen" loans by no means have been eliminated, especially in the country districts, where liquidation has proceeded more slowly than in the cities. It is still necessary for banks to extend careful aid to certain debtors in order to tide them over and enable them again to get on their feet. But all in all, bank portfolios have shown great improvement and the quality of paper is now much better.

Conclusion

In short, the period of great strain has been met and passed. Radical readjustment such as called for in 1920-21 has been succeeded by a period of relative stability. It is true that in some lines further liquidation is required, while a considerable number of firms are in a weakened condition as a result of the process, and others are still working closely with their bankers in order to extricate themselves. But this merely represents the aftermath. The process of liquidation is now working more smoothly, and on a more settled basis. It is proceeding in an orderly manner to completion.

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, Jan. 16	77.05	81.36	75.76	69.55	63.38	778,319
Tuesday, Jan. 17	77.00	81.90	76.56	69.72	68.63	729,350
Wednesday, Jan .18	76.91	82.33	76.58	70.14	69.03	863,171
Thursday, Jan. 19	76.88	81.91	76.18	69.82	68.90	776,559
Friday, Jan. 20	76.83	82.95	75.83	70.27	68.96	1,139,175
Saturday, Jan. 21	76.95	82.53	75.68	69.91	69.26	522,865
Monday, Jan. 23	77.05	82.29	75.50	69.80	69.05	602,425
Tuesday, Jan. 24	77.05	82.43	75.58	69.73	69.08	488,684
Wednesday, Jan. 25	76.91	82.57	75.30	69.95	69.16	692,787
Thursday, Jan. 26	76.91	81.54	74.83	69.68	68.49	788,164
Friday, Jan. 27	76.56	81.34	74.84	69.04	68.41	524,620
Saturday, Jan. 28	76.37	81.75	74.94	69.10	68.72	245,714

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Offered	Yield
Bronx Gas & Electric Co. First 5s, 1960	76	6.75
Buffalo General Electric First 5s, 1939	96	5.35
Canton Electric Co. First 5s, 1937	90	6.05
Cleveland Electric Ill. Co. 5s, 1939	96	5.35
Cleveland Electric Ill. Co. 7s, 1935	105¾	6.35
Denver Gas & Electric Co. First 5s, 1949	90.	5.75
Duquesne Light Co., Pittsburgh, 7½s, 1936	105	6.95
Evansville Gas & Electric Co. First 5s, 1932	84	7.25
Kansas Electric Utility First 5s, 1925	90	8.85
Kansas Gas & Electric 5s, 1922	100	5.00
Indianapolis Gas Company 5s, 1952	90	5.70
Los Angeles Gas & Electric Con. 7s, 1931	105	6.25
Louisville Gas & Electric Ref. 7s, 1923	100	7.00
Nevada-Cal. Electric First 7s, 1946	98	7.15
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941	102	4.65
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929	90	8.55
Peoria Gas Electric 5s, 1923	99	5.50
Rochester Gas & Electric Corp., Series B 7s, 1946	105	6.55
San Diego Cons. Gas & Electric First Mtge. 5s, 1939	89	6.05
San Diego Cons. Gas & Electric First Mtge. Ref, 6s, 1939	97½	6.25
Standard Gas & Electric Conv. S. F. 6s, 1926	96	7.15
Standard Gas & Electric Secured 7½s, 1941.	96	7.90
Syracuse Gas Co. First 5s, 1946	92	5.60
Twin-State Gas & Electric Ref. 5s, 1953	70	6.85

TRACTION COMPANIES

	Offered	Yield
Arkansas Valley Ry. Light & Power First & Ref. 7½s, 1931	98	7.80
American Light & Traction Notes 6s, 1925	100	6.00
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940	68	8.50
Danville, Champ. & Decatur 5s, 1938	75	7.75
Georgia Ry. & Power 5s, 1954	84	6.15
Kentucky Traction & Terminal 5s, 1951	65	8.15
Knoxville Ry. & Light 5s, 1946	72	7.55
Milwaukee Light, Heat & Traction 5s, 1929	93	6.25
Milwaukee Elec. Ry. & Light 7s, 1923	101½	6.20
Milwaukee Elec. Ry. & Light 20-Year 7½s, 1941	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923	97	8.05
Memphis St. Ry. 5s, 1945	63	8.75
Northern Ohio Trac. & Light 6s, 1926	91	8.70
Northern Ohio Trac. & Light 6-Year Sec. 7s, 1926	92	8.40
Nashville Ry. & Light 5s, 1953	81	6.40
Portland Ry. P. & L. First Lien & Ref. Ser. "A" 7½s, 1946	102-5	7.05
Topeka Ry. & Light Ref. 5s, 1933	72-75	8.55
Tri-City Ry. & Light 5s, 1930	88	6.95
United Light & Rys. Ref. 5s, 1932	84	7.25
United Light & Rys. Notes 8s, 1930	99	8.15

POWER COMPANIES

	Offered	Yield
Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	99	6.05
Adirondack Elec. Power Co. First 5s, 1962	92	5.45
Alabama Power Co. First 5s, 1946	89	5.85
Appalachian Power Co. First 5s, 1941	82	6.65
Cent. Maine Power Co. First & Gen. Mtge. 7s, Series A, 1941	102	6.80
Cent. Maine Power Co. 5s, 1931	89	6.65
Cent. Georgia Power First 5s, 1938	85	6.55
Columbus Power Company (Georgia) First 5s, 1936	98	5.20
Colorado Power Company First 5s, 1953	84	6.15
Consumers Power Co. (Mich.) 5s, 1936	92	5.85
Electric Dev. of Ontario Co. 5s, 1933	89	6.40
Great Northern Power Co. First 5s, 1935	93	5.75
Great Western Power Co. 1st & Ref. 7s, Ser. B, 1950	106	..
Great Western Power Co. 5s, 1946	92	5.60
Hydraulic Power Co. First & Imp. 5s, 1951	95	5.35
Idaho Power Co. 5s, 1947	90	5.75
Kansas City Power & Light 8s, 1940	88	9.35
Kansas City Power & Light First 5s, 1944	..	..
Laurentide Power Co. First 5s, 1946	93	5.55
Madison River Power Co. First 5s, 1935	95	5.55
Mississippi River Power Co. First 5s, 1951	90	5.70
Niagara Falls Power Co. First & Cons. Mtge. 6s, 1950	102	5.85
Ohio Power First & Ref. 7s, 1951	102	6.85
Penn. Ohio Power & Light Notes 8s, 1930	102	7.65
Potomac Electric Power Gen. 6s, 1923	99	..
Puget Sound Power Co. First 5s, 1933	93	5.85
Salmon River Power First 5s, 1952	92	5.15
Shawinigan Water & Power Co. First 5s, 1934	97	5.35
Southern Sierra Power Co. First 6s, 1936	92	6.90
S. W. Power & Light First 5s, 1943	87	6.10
West Penn. Power First 7s, 1946	104½	6.15

TELEPHONE AND TELEGRAPH COMPANIES

	Offered	Yield
American Tel. & Tel. 3-Year 6s, 1922	100½	5.00
American Tel. & Tel. 5-Year 6s, 1924	101½	5.40
Bell Tel. of Canada First 5s, 1925	90½	8.05
Bell Tel. of Pa. First Ref. 7s, 1945	108¾	6.25
Chesapeake & Potomac Tel. Co. Va. First 5s, 1943	93	5.55
Home Tel. & Tel. Spokane First 5s, 1936	90	6.05
Western Tel. & Tel. Coll. Trust 5s, 1932	95	5.65

UNLISTED UTILITY BONDS
By James E. Halsted

CHICAGO RAILWAYS CO.

THOSE familiar with the troubles of the New York City transit companies will be easily able to understand the situation of the surface and elevated lines in Chicago. The five-cent fare as a major campaign issue has been kept before the people for years with a rather disastrous effect on the securities of these companies.

However, there is one vital difference between the two cities. In Chicago the companies are getting eight cents on the surface and ten cents on the elevated lines and have not defaulted on their underlying bonds, while in New York all the lines are struggling along on a five-cent fare.

In Chicago the increased fare has been under fire incessantly, but it is still in force and according to a recent decision handed down by the U. S. District Court at Chicago which restrained the Illinois Commerce Commission from enforcing a five-cent fare, it appears that the companies will be allowed to charge the present rate until operating expenses are so reduced that they can receive the same net return on a lower fare.

This being the condition it is interesting to look into the position and price of some of the securities.

Chicago Rys. 1st Mtg. 5% Bonds of 1927

These bonds are listed on the New York Stock Exchange and have an active market. The $55,655,000 outstanding bonds are a first mortgage on all the property and franchises of the company, including 584 miles of track in the downtown section and also on the north and west sides of Chicago.

The property had a valuation on January 31, 1921, of $92,128,000.

These bonds because of their security and stability of earnings which cover the interest on these bonds over 1¾ times are entitled to a better investment rating than their market price of about 70 would indicate. The psychology of the investor is the reason the bonds are selling at their present level.

Cons. Mtg. 5% Bonds of 1927

These bonds are a second mortgage on 387 miles of track, including some of the most important mileage and a fourth mortgage on 128 miles of additional track. This issue is divided into three series which are outstanding as follows:

A	$16,397,800
B	16,936,475
C	349,336

Series A is prior in lien to B, and B is prior to C. The interest on Series A bonds is covered by the 5% return on the company's investment which it is allowed before making a division of net profits with the city. This issue has fairly good security, and the interest charges on the bonds have always been covered. This being the case it appears that the 5% bonds at 45 to 50 are real attractions as an investment speculation.

Part of interest on the Series B bonds are likewise covered by the company's allowance on its investment, and these bonds at 31 to 35 are also attractive, but are more speculative.

Purchase Money 5% Bonds of 1927

There are $3,970,000 of these bonds outstanding and they are a second mortgage on the 128 miles of track and a third mortgage on the 387 miles previously described. The interest on these bonds has been covered and payments have been made. At 28-33 these bonds seem to be a good speculation.

4% Adj. Income Bonds of 1927

Interest is payable only when earned and is not cumulative. Payments of 4% annually were made May, 1913 to 1918. In May, 1921, interest was again paid. It is believed that interest on these bonds are now being earned. At a price of 16 to 18 the income bonds appear to be well worth the money.

The franchises of the company expire in February, 1927.

The New Book Letter

WHAT IS SOCIALISM?—by James Edward LeRossignol.

With socialistic doctrine being preached by "all sorts and conditions of men," and on the highways and byways as well, this book comes as an antidote. Many are converted to socialism without having any very clear idea of just what socialism is.

In this book the author, who has for many years written and lectured on this and allied topics, gives a temperate but searching exposure of socialism. One by one he takes up the tenets of Karl Marx, the founder of "scientific" socialism, and follows each to its logical conclusion, while, in a final chapter, he takes up the subject of the Non-Partisan League.

Price $2.10 p. p.

FOREIGN TRADE SECURITIES

(*Continued from page* 451)

Increased Exports of Agricultural Implements

AN increase of more than twelve million dollars in the value of exports of American agricultural implements in 1921 over 1913 is shown in a preliminary statement released by the Department of Commerce. A great deal of this increase is attributable to the high prices which have prevailed during and since the war period, as the downward trend of prices of agricultural implements did not gain headway until the third or fourth month of 1921, and the latter months of that year have been characterized by a persistent decrease in the value of exports due as much to lower prices as to the current business depression.

Exports of pumps increased by over $8,000,000, largely as a result of increased use of pumps for irrigation purposes, and tractors (traction engines) increased by over $4,000,000. The increase in quantity of tractors exported was proportionately almost as great as the increase in value of tractors exported indicating only a slight increase in price for the year 1921 as compared with 1913. "Other implements and parts of" increased by nearly $12,000,000 and practically all other classifications showed large decreases.

Quantities have been shown when available, but in most cases only values could be shown. Exports for 1921 are estimated and not actual figures. Data for December are not yet available and the average for the first eleven months has been used as a basis for the December exports, but it is likely that actual exports for that month will fall below the average for the previous months, which will result in a slight decrease from the totals shown in the table.

This increase over 1913 is considered remarkable because of the many markets which were closed to American exporters of agricultural machinery on account of the war and the economic chaos which has succeeded it in some parts of the world, notably Russia, Central Europe, and the Balkan States, which in normal times might be expected to be large purchasers of modern farm equipment.

Pre-War and Present Trade with Latin America

THE estimated total imports and exports during 1921 between the United States and all countries of Latin America show an increase of practically 100% in value over the trade for 1913, the last normal year, according to the Department of Commerce in a preliminary review of the year's trade based on statistical returns for the first eleven months of 1921.

The total for 1921 was approximately 1,404 million dollars while for 1913 it was 730 million dollars. This sum is made up of 667 million dollars of imports from Latin America and 737 million dollars of exports. By comparison with 1913 it is seen that this trade is greater than might have been predicted in 1913, based upon the curve of increase for the several previous years. If the trade for 1922 and succeeding years shows no decrease over 1921, it may fairly be said that on the whole, we have emerged from these years of economic crisis and depression with a substantial net gain in our business with Latin America.

THOSE NEW 8% BONDS

(*Continued from page* 459)

the 8% coupon rate bonds come in the class of highest grade bonds, but the issues selected are all, at least, good second grade bonds and reasonably safe investments for the individual who takes the time to keep in touch with financial affairs and occasionally check over his holdings. Some of the issues are, of course, more preferable than others, both from a standpoint of investment merit and speculative possibilities.

The Favorite

Considered from all angles as an all around investment, the Goodyear Tire & Rubber Co. 1st mortgage 8s of 1941 appeal to the writer more than any other bond on the list. As has already been pointed out, these bonds will all be paid off at 120 before maturity, so a purchase at their present price of about 112 really amounts to buying the bonds at a considerable discount. The bonds were originally issued in amount of $30,000,000, but as $750,000 were redeemed November 1, 1921, the present outstanding balance is $29,250,000. They are secured by a closed first mortgage on all the fixed assets of the company, now owned or hereafter acquired, together with pledge of stocks of all subsidiary companies. **A balance sheet has recently been issued by the company, dated November 30, 1921, showing an unusually strong cash position, with current assets of about $65,000,000, against current liabilities of only $5,400,000. Cash, U. S. Treasury certificates, and bankers' acceptances alone amounted to over $25,600,000, and the company was absolutely free from bank borrowings. According to this statement, the net tangible assets behind the first mortgage bonds amounted to approximately $155,000,000, or about $5,345 per $1,000 face value of bonds.**

Goodyear is a wonderful company; its history is a record of continuous growth and development. Its difficulties of a year ago were brought about by the management, which failed to foresee the disastrous declines in rubber and cotton. This management has since changed hands. The losses have all been written off, creditors have been satisfied and the banks paid off. The slate has been wiped clean. An income account for the seven months to September 30, 1921, shows net earnings of

$6,838,486 available for interest charges, which is at the annual rate of 4.88 times interest charges on the first mortgage 8s. Following the first mortgage bonds, there is outstanding $27,500,000 8% debentures of 1931; $29,575,700 8% prior preference stock; $65,079,600 7% preferred stock, and 1,000,000 shares of no par value common stock. These junior securities, at current market quotations, indicate an equity of nearly $80,000,000 over and above the first mortgage 8s.

Kelly-Springfield and Fisk Rubber 8s are two other attractive issues of tire companies. While they do not have quite the degree of strength of the Goodyear first mortgage 8s, they are both sound issues. The Fisks seem to be the more attractive purchase owing to their first mortgage security. The Kellys will all be redeemed by lot at 110 at or before maturity, and the Fisk sinking fund is sufficient to purchase all bonds at or below 110.

Another Opportunity

Another issue that is especially attractive is the Mexican Petroleum 8s. Attention has been called to these bonds in THE MAGAZINE OF WALL STREET on several occasions, in fact they were specifically recommended for purchase last summer when they were selling at 93.

These bonds are the sole funded debt of the company, excepting $1,009,000 obligations of subsidiaries, and the company agrees not to place any liens on its properties during their life. They are unconditionally guaranteed, principal and interest, by the Pan-American Petroleum and Transport Co. At current quotations the company's stock represents an equity of over $60,000,000 over and above the $10,000,000 outstanding bonds. A balance sheet, dated June 30, 1921, showed net tangible assets of over $89,000,000 behind these 8% bonds, or more than $8,900 per $1,000 of face value. This figure was exclusive of any of the assets of the Pan-American Petroleum and Transport Co., the guarantor company.

Earnings for 1920 for Mexican Petroleum alone amounted to over 14 times annual interest charges on these bonds and combined net earnings, including the guarantor company, after depreciation and depletion charges, were over 20 times such requirements. Contrary to some unfavorable gossip on Mexican Petroleum, 1921 earnings have been running considerably above 1920 figures. **A statement for the six months to June 30, 1921, showed net income, after taxes, depreciation and depletion, available for interest charges of $8,698,000. This is at the annual rate of 21 times interest charges, exclusive of any earnings of Pan-American Petroleum.**

The Mexican Petroleum 8s are convertible into Pan-American B stock at $100 per share, and it is not at all improbable that this stock will sell considerably above that figure in the course of the next few years.

Other Outstanding Issues

For those of a somewhat speculative turn of mind the Invincible Oil 8s offer a high yield and rather attractive possibilities. This company is one of the smaller independent oil companies, but it has excellent properties and the management is

(*Continued on page* 504)

OVER-THE-COUNTER

IMPORTANT ISSUES

(Quotations as of Recent Date)

American Type Founders, com	45- 48
Atlas Portland Cement	45- 50
Babcock & Wilcox	107-109
Borden Company	99-102
Celluloid Co.	99-101
Childs Co.	113-115
Crocker Wheeler	..- 60
Jos. Dixon Crucible	130-140
Ingersoll-Rand	145-155
H. W. Johns-Manville	375-450
New Jersey Zinc	132-134
Niles-Bement-Pond	44- 46
Phelps, Dodge Corporations	170-180
Royal Baking Powder Co.	95-100
Safety Car Heating & Light	60- 62
Stetson (John B.)	285-310
Thompson-Starrett	57- 64
Victor Talking Machine	800-900
Ward Baking Co.	108-Bid
Yale & Towne Mfg	260-270

Some Strong Spots

The market for unlisted securities, including the groups listed in the above table, was featured by some remarkable advances during the fortnight preceding this writing.

One of the strongest issues in the list was **Ward Baking.** Twelve days ago, this stock was quoted 93 bid. It has since sold high as 112, and the rise has brought out comparatively little stock. An analysis of the Ward Baking Company appeared in THE MAGAZINE OF WALL STREET, January 21st issue. It was shown that, in the eight years from 1913 to 1920, the company's gross sales had increased from 10-million dollars to almost 50-million, and that the company's liquid position had been well maintained throughout this period.

Ward Baking stock is now assumed to be on a 7% basis. However, an extra dividend of 3% was declared last month, and the belief is that further extras are likely in view of the company's remarkable growth. The company's past record lends credence to this belief.

Babcock & Wilcox was also strong, its bid price advancing from 98 to 107. This issue was reviewed in the January 7th issue, in which the following salient features were brought out:

1. No funded debt
2. No preferred stock
3. Earnings' average last 3 years $17 per share
4. Book value $200 per share
5. Current Yield—8%

Another strong spot was **New Jersey Zinc**, whose bid price advanced some 9 points. The improving position of this company was also recently pointed out in these columns (January 21st issue). Childs Company advanced from 100 bid to a bid price of 113. These moves are worthy of special comment since they indicate the possibilities that lie in over-the-counter securities when carefully selected.

The Celluloid Company

Has Excellent Record

The Celluloid Company is the outgrowth of an organization formed 50 years ago.

The company manufactures "a plastic compound of pyroxylin" to which they gave the now famous name "Celluloid." This name is the company's trade mark and is duly registered in the U. S. Patent Office.

The company's plants are located in Newark, New Jersey. They are equipped to manufacture "Celluloid" in rods, sheets, tubes, in imitation of ivory, tortoise shell, amber and other natural products; "roll celluloid," *i. e.*, long sheets of thin "celluloid" used as a base in the manufacture of photographic films; and some 10,000 other useful and ornamental articles.

Early in 1921 the company sold $3,000,000 8% preferred stock bringing the capitalization to the following (000 omitted):

	Authorized	Outstdg.
Preferred	$3,000*	$3,000
Common	7,898	7,898

*$2,000,000 additional may be issued under certain special restrictions.

The proceeds of the stock sale were intended for plant extension and additional working capital.

The company does not publish annual earnings statements, so far as this department knows. However, an official analysis has been made of the earnings for the 10 years to, and including, 1920, as follows (000 omitted):

	Net Profits	Pfd. Div. Req'ts	Times Earned
10-Year Average, to Dec. 31, '21	$1,216	$240	5
5-Year Average to Dec. 31, '21	1,423	240	5.9
Year 1920	1,072	240	4.4

The company has an enviable dividend record, as follows:

1892—6%	1898—4½%
1893—5½	1899—6
1894—4	1900-1—7
1895—3	1902-15—8
1896—4½	1916—16
1897—5	1917-21—10

Earnings during the year 1921 are believed to have been satisfactory although not, of course, so good as in 1920. The company's dividend rate—2% regular and 2% extra, quarterly—is look upon as fairly secure, although a surer judgment would be possible were official figures available.

The shares at around par ($100) are entitled to a fair speculative rating. However, the available yield of 10% does not apparently indicate over-confidence as to the immediate future.

A SELECTION OF HIGH GRADE UTILITY INVESTMENTS
(*Continued from page* 485)

to be the largest hydro-electric plant in the world was placed in operation last year with an initial capacity of 44,000 horse-power.

Earnings have been increasing steadily the past few years. Consolidated gross earnings for eleven months to November 30, 1921, amounted to $6,698,859 compared with $5,874,526 for the corresponding period of 1920. Net earnings available for dividends (including dividends on small amount of preferred stocks of subsidiaries) for the eleven months of 1921 were given as $1,942,895 compared with $1,323,277 in 1920. The 1920 annual statement indicated earnings of $15, a share on the $7,079,883 preferred stock of the holding company.

Western Power Corporation preferred stock is a 6% cumulative issue and has been paying the full rate since early in 1920. There are accumulated dividends amounting to 13% and it may be that late this year some attempt to begin paying them off will be made.

The preferred stock is not entitled to seasoned investment rating in view of only recent inauguration of full rate. The common stock, no par value, appears to be a good speculation.

Montana Power Co.

Montana Power Co. closely allied with Anaconda-Ryan interests supplies electric energy throughout Montana including practically all the large towns and cities. It has an estimated capacity of 212,340 K. W. practically all of which is hydro-electric. Last year it had estimated undeveloped water powers capable of producing an additional 121,000 K. W. The company is recently understood to have secured all power rights on Kootenai River under the terms of the Water-Power Act.

The most recent development in the company's affairs was the decision of the copper mining companies in the Butte district to resume operations this month after having been closed down for greater part of last year. Last year operations were about 50% of normal due to shutdown of mines so that reopening should be immediately reflected in better earnings.

Both the first and refunding 5% bonds due 1943 and 7% cumulative preferred stock are entitled to high investment ratings. In 1920 net earnings on the common stock were equal to $5.27 a share but the company is not likely to show much over $2 a share earned in 1921 due to curtailment of mining operations. The present rate on the common is $3 annually payable quarterly. Actual earnings on the common stock for nine months to September 30, 1921, were equal to $1.59 a share. Montana Power common has been moving up steadily since announcement of mining resumption was made in December. If earnings recover to the 1921 figure, a slight increase in the dividend rate might be forthcoming. The stock appears to have already discounted better earnings but might go higher on technical position.

Interborough Rapid Transit Co.

Improvement in Interborough

Company Now Seems Able to Avoid Receivership—Outlook for Its Securities

By PALMER CLINGMAN

BEARING out the predictions which the writer made in the columns of THE MAGAZINE OF WALL STREET on Dec. 11, 1920 and Aug., 1921, in regard to the improved showing likely in the future, by the Interborough Rapid Transit Company and its continued solvency, is the recent statement of its President before the Federal Court in New York City.

Mr. Hedley's appearance before the Court was a result of receivership proceedings started by a professional litigant, who seized the opportunity of utilizing the company's poor showing during the recent period of high operating costs to embarrass it by legal action and threatened suits against its Directors.

The Interborough Company has been in particularly sore straits financially. In addition to the poor operating results, the company has had to face a maturing note issue of $39,000,000 which came due this last year. At the present time over 95 per cent of these notes have been extended for one year at 8 per cent. The unextended notes the company is endeavoring to fund and it is announced that plans are under way to redeem those which are as yet unextended.

Interborough's Pre-War Ratio

Prior to the war, the operating ratio of the Interborough was in the neighborhood of 43 per cent and the company was enabled to distribute large dividends on its stock. Following the general trend of public utilities, the Interborough was confronted with mounting expenses during the recent period of inflation and in addition, during this period, completed a practical duplication of its former subway lines which have not yet reached a remunerative density of traffic.

In spite of high operating costs, the subway division of the Interborough has been enabled to meet its fixed charges. The elevated division, the principal part of which is leased from the Manhattan Railway Company, has failed to earn the rental paid to the Manhattan Company, and last year caused a loss to the Interborough in the neighborhood of $4,500,000. The drain upon the Interborough treasury by the Manhattan property has been a very serious one, and the Interborough Company has disposed of every asset which it might pledge or sell in order to provide funds to meet the deficits accruing under the Manhattan rental.

Dividend Payments

At the time of this writing, the Interborough Company has not yet fully paid the dividend checks on the Manhattan Company's stock due January 1, and is depending upon its current operating receipts to meet this obligation. The rental which the Interborough pays consists of fixed charges on the Manhattan Company's bonds and 7 per cent on the latter company's $60,000,000 capital stock. President Hedley now states that he is endeavoring to make arrangements whereby the Manhattan Company will relieve the Interborough temporarily of a portion of its rental obligations, and, as intimated approximately six months ago in the columns of the MAGAZINE OF WALL STREET, this rental will probably be reduced by a change in the dividend rate on the Manhattan Company stock. The Manhattan Company has not yet agreed to a reduction, but it is understood that the Manhattan Company will waive temporarily the obligation of the Interborough to meet the entire rental postponing full collection to a more future date, when the Interborough may be more prosperous.

Economies are now beginning to be shown in the Interborough's operation of its subway system, and Mr. Hedley estimates that for the six months ending June 30, 1922, the company will save in the neighborhood of $2,340,000 over its operating expenses for the year previous. Of this saving, $550,000 will be obtained by a decrease in the number of guards necessary to operate trains by its new system of multiple-door control; $125,000 by the use of turnstiles in its stations; $1,250,000 through a wage reduction recently placed in effect, and $415,000 through lower cost of coal. As an indication of the saving already under way, President Hedley further states, that, as against a corporate deficit of $738,967 in July of 1921, that the month of December showed a net corporate surplus of $19,317. The Interborough Company has also prepared estimates looking as far forward as 1926 and the company states that even if the present Manhattan Railway rental continues that the Interborough Rapid Transit Company will have a net corporate income above all fixed charges for the period of $6,000,000.

It now seems most likely that the Interborough Company will not be placed in receivership, and that certain of its securities are an excellent purchase in the market.

Conclusion

The Interborough Rapid Transit 5s, due in 1966, selling in the neighborhood of 64, are secured by a first mortgage on the company's equipment and by a first mortgage on the leasehold of the subway property constructed by the City. Even in the event of the possible contingency of a receiver being appointed, these 5s are looked upon as possessing considerable merit.

The issue of notes which the com-

pany has outstanding, now bearing interest at 8 per cent, are secured by one and one-half their par value in 5 per cent bonds. Inasmuch as the notes are currently quoted in the neighborhood of 81, and the bonds at 64, the collateral value of the security behind the notes is considerably in excess of the market value of the notes themselves, being one and one-half times of the market value of the 5s. It is not likely that these notes will be paid off at the time of maturity of their present extension, September 1, 1922, but, as the Interborough continues to manifest an improved earning ability, it is not unlikely that within several years the company can refund these notes through public sale by an issue bearing a lower rate of interest.

The Interborough Rapid Transit Company's stock is owned by the Interborough Consolidated Corporation and pledged as collateral under the Consolidated Corporation's issue of 4½ per cent bonds. These bonds, now selling in the neighborhood of 12, represent the current quotation of twice the market value of the bonds for Interborough stock; if the bonds are at 12 Interborough stock equivalent is 24, there being $500 stock pledged as collateral for each $1,000 in notes.

Looking forward to the time that the Interborough Rapid Transit Company is earning its fixed charges, the surplus will accrue to the Interborough Metropolitan Company in the form of dividends enabling that corporation to resume interest payments on the 4½ per cent bonds now selling at 12. It would seem that a resumption in interest payments would not be unlikely within several years and that these 4½ per cent bonds, now selling at 12, present very good speculative possibilities as they would undoubtedly sell well above 50 if interest payments are resumed.

CHICAGO PNEUMATIC TOOL CO.

(*Continued from page* 465)

pretty well cleaned up by now, because of reduction in inventories. Working capital of the company alone is equal to approximately $70 a share on the stock. The plants and other fixed assets of the company are valued on the balance sheet at about $9,000,000, and it is generally believed that this is a fairly conservative figure. Total assets behind the common stock, therefore, are equal to about $137 per share.

Stock Rather Inactive

As a rule the stock is rather inactive in the market, but has periods of activity. When it was on an 8% basis in 1920 it sold up to 111⅞, declining from that figure to a low of 60. The low in 1921, made after the reduction of the dividend rate to 4%, was 47. At present prices of around 61 the stock appears to have good speculative possibilities, if held for the long pull, as it has large assets behind it, an excellent management and earnings appear to be on the upgrade.

WESTERN PACIFIC R.R.
(*Continued from page* 463)

and thus raise funds for the rehabilitation of the Denver, but, under present circumstances, it is difficult to see how the Denver can do it. But, of course, there is no reason to expect the Denver to attempt any independent financing.

Conclusion

We have seen that the Western Pacific has shown ability to earn dividends upon the preferred stock, and we know that the road is dependent upon connections for a large part of its freight traffic. We know that last year only a very small part of the preferred dividend was earned, and we are also able to realize that the settlement by the Government of the compensation claims perhaps saved the dividend position on the preferred stock, pending a recovery in railroad earnings.

There is no clear light on the outcome of Western Pacific's ownership of Denver. The one fact in this connection that seems to be established with reasonable certainty is that Western Pacific needs the Denver as a physical connection. Denver's earnings record for the past several years has been discouraging from the standpoint of net income, with interest charges piling up to such an extent that they gradually consumed more and more of the available net, and, in fact, for the three years ended December 31, 1920, sizeable deficits were reported each year. In 1921 Denver earned, perhaps, 60% of fixed charges.

As to the Western Pacific securities the position of the first mortgage 5s due 1946, of which there are $24,000,000 outstanding, apparently is firmly established. This issue is a first mortgage on all the main line from Salt Lake to Frisco and is strongly protected.

The Interstate Commerce Commission tentatively fixed the valuation of $66,000,000 for Western Pacific, while the company claimed that $102,000,000 should be the figure. It would appear as if a higher valuation than $66,000,000 would have to be established if Western Pacific, on the basis of a 6% return on property investment, was to show sustained substantial surplus for the preferred, to say nothing of the common.

In other words, the many angles which protrude from the Western Pacific situation serve to force the conclusion that the preferred stock, even though it be paying the full 6% dividend, must be considered as a speculative issue; but not an issue containing an undue proportion of risk. As to the common, judgment must be held in abeyance until the situation assumes more definite shape.

HARD KNOCKS AND WHAT THEY TAUGHT ME
(*Continued from page* 474)

thing I could lay hands on relative to finance and investment. Before I felt I could afford to subscribe to The Magazine of Wall Street, I used to go to the public library evenings and during my lunch hour to read it and other financial publications.

The points I consider most carefully when selecting investments are:

1. Dividend record and history of business.

2. Possibilities of development.

3. Financial strength.

The rules I follow, insofar as I follow any, are:

1. Know what you are buying. Buy only after careful investigation.

2. Use your own judgment. Don't buy on tips or hunches or anyone's recommendation. Then if you make a mistake you have no one to blame but yourself. It saves hard feeling in case of loss.

3. Deal with reputable houses only.

4. As a rule prefer listed securities. Because (1) You can always borrow on them. (2) They always have a market.

These latter are the two acid tests of a good investment.

THOSE NEW 8% BONDS
(*Continued from page* 499)

efficient. The 8% bonds are outstanding in amount of $2,893,000, and, in addition, the company has outstanding $2,400,000 6% serial notes and $903,204 tank car equipment notes. According to a balance sheet as of September 30, 1921, the net tangible assets, applicable to the outstanding funded debt, after deducting all reserves, amounted to over $32,000,000, against a total outstanding funded debt of $6,196,204. Earnings for 1920 amounted to $7,592,447, or over 14 times the interest on the total funded debt. Owing to decreases in the price of crude oil, however, 1921 earnings have been considerably below 1920, and a statement for the nine months to September 30, 1921, showed interest and discount covered by a rather narrow margin. Since the recent increases in the price of crude petroleum the company's earnings have indicated a very marked improvement, and it has been learned from sources closely identified with the company that the results of the last three months of 1921 have been running at an annual rate that would show a very wide margin over interest requirements.

The sinking fund provides for an amount sufficient to retire all bonds at 110, so that if a holder is patient he is assured eventually of receiving that price for his bonds. The bonds also carry a convertible privilege whereby they may be exchanged for stock of the company at prices ranging from $30 to $39 per share. This stock is actively dealt in on the New York Stock Exchange, where it has sold up to 47¼.

Miscellaneous Issues

The Packard Motor 8s also line up very well indeed. While the company has just completed a somewhat unfavorable year from a standpoint of earnings, the balance sheet is a virtual "tower of strength." Current assets amount to over $36,000,000 (including over $10,000,000 cash), against current liabilities of $3,807,000. Net tangible assets, according to this balance sheet, after deducting all reserves, amounted to over $50,000,000, behind $9,853,500 outstanding 8% notes, the only funded debt.

HOW TO IDENTIFY A BUCKET SHOP

(Continued from page 457)

By this method the client is encouraged to trade to the very limit of his margin capacity. A house previously referred to in these articles, a member of a certain exchange, called up one of my employees and offered to carry a thousand shares of a certain stock for $400, or less than a half a point on an issue selling somewhat under $20 a share. This was merely an inducement to open the account. They did not need to figure out for the prospective client that he could only lose $400, whereas if the stock rose he would make $1,000 for each point advance. Having taken this position, he probably would have preferred to dig up more margin in case of a decline.

Such concerns never like to see any idle margins lying around. They induce the client to spread himself out so thin that the first little reaction gets him. Some years ago, out of curiosity, I went into a bucket shop that was doing business on Broad Street, where margins of one and two dollars per share were accepted and a large business was being done over the wires running up through New York State. One of the men connected with the concern said they had been badly licked by the rise in a certain stock during the previous month, but they had them all loaded up now so that a good reaction would net the house $50,000. Such firms urge those who are trading through them to take advantage of any increase in their margin to enlarge their commitments. The result is inevitable. No market can continue to advance without reactions

* * *

EARMARK NUMBER EIGHT: INDUCEMENTS TO DEPOSIT SOME OF YOUR PRESENT HOLDINGS AND PURCHASE ADDITIONAL SHARES OF THE SAME STOCK.—What happens in such a case is this: You have a thousand shares of a certain mining stock selling at 90 cents a share. The bucketeer says, "That's worth $900, and with that as margin we will buy 3,000 shares more" (or perhaps 5,000 shares). He takes your 1,000 shares and sells it out. Thus, you are not given the benefit of the effect your purchase of 3,000 shares might have had; instead, the market is actually depressed to the extent of the 1,000 shares which you are putting up and which, you supposed, were to lie safely in the broker's safe deposit box. If this stock be especially attractive to a number of people, the quotations for the day and succeeding days will be worked up to the highest possible point, and when everybody is loaded the house will suddenly raid the stock in the Curb Market, call everybody for margin and wipe out those that cannot respond.

* * *

EARMARK NUMBER NINE: REPRESENTATION THAT THE FIRM IS OPERATING FOR POOLS OR INSIDERS.—Pools do not work just that way. When a body of men get together for the purpose of operating in a certain stock, they appoint one of their number as manager, and he operates the account in such a way that his associates seldom know his position. Certainly he does not notify a lot of bucket shops as to what he is doing, nor what his plans are. Real operations in leading stocks are conducted on the New York Stock Exchange, and not down in the side streets and alleys around Wall Street. Morgan, Rockefeller, et al., do not take every cat-and-dog house into their confidence, and pools do not give discretionary accounts to a lot of fly-by-night brokers who carry penny mining and oil stocks on one-third down.

A little consideration, a little common sense, go a great way when you receive invitations of this kind. You cannot break into the inner circles of Wall Street by long-distance telephone.

If the brokers want to do you such favors, tell them to prove it by putting these trades in their own accounts, and when everything is closed out, send you a bank draft for your share of the profits; then they will establish a reputation for real philanthropy.

I could go on indefinitely, but I believe that a sufficient number of earmarks have been pointed out to show those who read this how to keep out of the clutches of those who are a scourge in the field of investment and who constitute a class of thugs who only lack the blackjack, the jimmy and the dark lantern to make them regular burglars.

HOW TO DIAGNOSE THE FINANCIAL SYSTEM'S CASE

(Continued from page 473)

process since, the price has declined to below 11, from which point some recovery has since occurred.

Bradstreet also compiles a Food Price Index which is, of course, of particular significance in relation to (1) Cost of Living; (2) Position of Food Producers, i. e., the farmers; (3) Position of Companies whose chief customers are in the agricultural communities, i. e., mail order houses, farm implement manufacturers, etc.; (4) Position of Manufacturers of Finished Food Products, i. e., bread bakeries, and, as once, distilleries.

This index is also standard. It is compiled by averaging no less than 106 foodstuffs.

The System's "Nervous Condition"

How to determine the state of the industrial and financial community's "nerves"? We know of no better marker than the average prices of securities, coupled more or less intimately with volume of trading.

The suggestion needs no argument. Naturally, an advancing tendency will indicate confidence, and vice versa. It should be remembered, however, that the value of this marker may be affected by professional operations. Securities have been known, even quite recently, to have shot up several points for no other reason than that professionals wished to call attention to their wares.

HIGHER OIL PRICES IN SIGHT

(Continued from page 480)

with the findings of the experts as regards the proved oil areas. It is the belief of some producers that districts now yielding about 500,000 barrels daily will be practically exhausted in the latter half of 1922. These are the fields from Tepetate to and including Cerro Azul." After showing that up until last November 1, a total of 558,500,000 barrels of light oil had been taken from an area of less than 13 square miles, the New Jersey company says that in the past so much oil has been obtained from the narrow strip near the sea coast that there was no inducement for operators to accept the risk and expense of discovering new fields. "Since the prospect of the practical exhaustion of the Southern fields has become real," says the New Jersey company, "the complications of Article 27 of the Mexican constitution together with political unrest and inadequate protection for the workers, have effectively limited wildcatting." The company indicates its belief that in the future new fields will be developed further in the interior and that a heavier cost per barrel will have to be assumed in getting oil from small wells, in place of the great gushers which have furnished most of the oil up to the present time.

Why the Mexican Factor is Important

It seemed necessary to elaborate somewhat on the subject of Mexico because this question is probably the most vital one with regard to supplies of oil in this country during the current year. If the Mexican shipments show a serious falling off the American oil industry will be face to face with a shortage to meet its requirements even at the present rate of consumption. It is principally because of this that the price of oil was so quickly advanced last Fall and why the leading interests in the industry are encouraging renewed development work in our domestic fields at the present time. **It is possible that there may be price recessions before Spring because of the financial burden of carrying large stocks of oil at the present time, but if the leaders of the industry are right in their opinion with regard to Mexico any setback at the present time would be very temporary and considerably higher prices may be seen before the year is over.**

The oil producing business is one of great uncertainty. New fields may be developed at any time which would change the situation, but the indications at the present time are that domestic production this Summer will probably decline at a time when consumption is going the other way. A large part of the recent increase in production has come from the new Mexia field of Central Texas. The Mexia field at present covers about 3,000 acres and a continuance of production at the present rate is not seriously considered. When the price of oil was advanced last Fall the oil industry had a pretty good idea of the possibilities for big flush production at Mexia and later on the Standard of Indiana contracted for most of the production of the field at a price reported to be $1.50 a barrel.

Everything considered, the indications are that while there is a considerable excess of supply over demand at the present time this situation is likely to be reversed later in the year. The principal concern of the important companies is to secure additional reserves of oil, not only for a long period ahead but for the immediate future. That is why the Prairie Oil & Gas Company recently paid the highest price on record for a small amount of undrilled acreage in the Osage Nation of Oklahoma.

CALIFORNIA PACKING CO.

(Continued from page 468)

is expected to yield sufficient raw material to pack an additional 1,000,000 cases.

No Bonds or Preferred Stock

The financial structure of California Packing is a very simple one, its only capital liability being 500,000 shares of authorized stock, no par value, of which, at the present time, 471,708 are outstanding. There are no bonds or preferred stock. In the height of the season the company is a borrower at the banks, the peak of its borrowing being reached in October to finance its pack. At the present time its bank loans have been practically all paid off. The old issue of preferred stock was called for redemption April 1, 1920, at 115, but practically all of this stock was converted into common at the rate of 1½ shares of common for each share of preferred.

There would appear to be a good many sound reasons for regarding the stock of this company as a good long pull speculation. The financial structure of the company is sound beyond question and the management deserves confidence, not only because of the remarkable increase in the company's business but also because of the ability they have shown in handling the company's affairs during the trying period through which we have just passed. Its present position is favorable, as it has sold out its high cost inventories and can take advantage of the present low prices prevailing for cans, cases, sugar and various other supplies. It is estimated that in the current year the company will be able to effect a reduction of from 30 to 50% in all items of expenditure, including packing costs.

At present prices of around 69 the stock, although it has advanced substantially, still gives a yield of 8.7%. In view of the fact that the dividend rate of 6% now appears to be reasonably secure, this is a rather attractive yield, especially as money is getting easier. The technical position of this issue is???

COMMODITY PRICES CONTINUE SPOTTY
(*Continued from page* 483)

Not more than a half dozen companies at the outset, however, are likely to produce brilliant results in 1922.

The accessory branch of the business is picking up, and with makers of cars in the market in order to replenish their supplies, the outlook is that these companies will be kept more busy as the season advances.

The demand for automobile trucks has already increased, and with the improvement in general business conditions, these companies will in all probability fare better this year than they have since the end of 1919.

COPPER

Mines to Reopen

Announcement has been made by several important copper mining companies, particularly Anaconda, that mining operations would very shortly be resumed. Anaconda, as a matter of fact, has already resumed operations. The tendency is for the lower-cost mines to reopen, and with higher copper prices, other mines will undoubtedly resume operations.

An interesting feature has been the resumption of dividends by two comparatively small mines. This indicates that sentiment among the copper people has greatly improved. Very likely more companies will be added this year to the list of dividend-payers.

It would be unfortunate, however, if resumption of mining activity generally were to assume too rapid a pace. Stocks of the metal are still large, and excessive production of copper at this time could only result in again weakening the statistical position. This remains the uncertain feature of the situation.

Recent Market Not Very Strong

The present market is not very strong. Prices have recently shown a slant toward lower quotations. Demand has fallen off and the price decline is attributable to this condition. However, with the Spring months, demand should become more active.

There has also been a slump in the foreign demand for copper. Conditions in Europe are still unsettled, which causes a very irregular character in the foreign buying of our commodities.

Other Non-Ferrous Markets Quiet

The other non-ferrous markets are generally quiet. Lead is at present inactive, but the growing rate of building operations will benefit this market greatly. Undoubtedly lead prices will reach a higher level some time this year. Tin is depressed on account of comparatively large stocks and no change is anticipated in the near future. Zinc is in a somewhat better position, but the recent tendency toward increased production is exerting an unfavorable effect on this market.

READERS' ROUND TABLE

(Continued from page 487.)

influence against this evil, the public as a whole can be brought gradually to see the gross injustice of this custom.

In writing the foregoing I do not lose sight of the fact that a pass is occasionally useful and expedient, as, for example, when a railroad employee is traveling on railroad business; what I refer more specifically to is the traveling to and from work before and after hours, hours that are in the majority of cases shorter than the hours of those not employed by the railroads.—J. McK.

The above is an interesting comment on a situation not often brought to the attention of readers. It is to be feared, however, that the writer is somewhat biased in his conclusion. The fact is that so-called "joy riding" on the railroads by employees has been done away with to a minimum. But even if it were not, the custom would be practical in that this courtesy to railroad employees is a factor in keeping up their cordial good-will and, after all, despite the stubborn attitude of railroad workers with regard to their wages, it is a fact that in America we have the most devoted and efficient railroad workers in the world. The railroad pass is one of the things which has accomplished this result. It is not always possible to measure service in terms of money. However, we should be glad to receive communications from our readers on this point.—Editor.

The "Investor's Indicator"

Editor, The Magazine of Wall Street.

Sir:—About a month ago I accepted your invitation for suggestions and proposed that you publish a stock guide similar to your admirable bond Guide. You answered by telling me that some time before I was a subscriber, you had such a table and that you would include this again in your Magazine. When the first issue containing the "Investor's Indicator" arrived, I must say that I was disappointed, but before rushing into print waited for the second number to see on what lines you were building up this table. I noted in your January 7 issue that you are gradually increasing the number of companies and I can easily see that in due time this table will be of great value to the readers. However, let me give you my reactions on the "Investor's Indicator" as it appears today.

It seems to me that the choice of companies analyzed was unfortunate. It is probably safe to assume that a great number of your readers have taken losses in one manner or another in the past year or so, and if they have any money to invest just now they are naturally looking for some stocks in which they hope to recover some of their losses. Now the "Investor's Indicator" should be the place to find them. It seems to me that just as in the Bond Buyers' Guide the list of stocks should contain the best down through to the speculative. The importance of fairly early action on the part of investors is emphasized by everyone when including The Magazine of Wall Street, but do you consider that the Indicator is of use to the people looking for opportunities? The Indicator should not only be of interest to those who hold securities of the companies listed but should be a guide or rather a suggestion to others who wish to invest, otherwise the Indicator would be of interest to only a small group of your readers.

Please believe me when I say that this criticism is given only in the spirit of cooperation. I am not just rushing into print, and you probably have only too many of these letters. My only excuse is my interest in your splendid Magazine and in the hope that it may be constructive in some small way.—R. N. W.

We have received a number of letters like the above, though all are not so highly critical, and it is evident that this new department is considered by the readers to be of great importance. Certainly, whatever can be done to improve the "Investor's Indicator" as it stands, will be done. The list will be amplified and in time it will be as comprehensive as desired.

The purpose of the "Investor's Indicator," however, is not to grade the various issues. Owing to the variable influences surrounding such issues, it would be quite impossible to make a true gradation, except with regard to, strictly speaking, investment issues like American Tel. & Tel. and others of the same type. We have, therefore, come to the conclusion that it would be best to give the important facts surrounding the companies to be of value from a statistical viewpoint without publishing any commentary. Such comments are reserved for the special analytical stories appearing in every issue. In other words, the "Investor's Indicator" is principally a clearing house of information of a statistical sort. It will, however, be improved and lengthened so that eventually it will contain most of the important companies in the principal industries.—Editor.

Future Industrial Refunding Operations

Editor, The Magazine of Wall Street.

I observe that the Pacific Gas & Electric Company has refunded its 7% bonds on a 6% basis. Several months ago you suggested that many of the companies who issued 7% and 8% coupon bonds and notes would in 1922 take advantage of the lower money market and refund their obligations at the lower interest rates. Evidently your conclusion was accurately drawn. At least, it is so suggested by the action of the Pacific Gas & Electric Company.—F. K. L.

In a future of The Magazine this matter will be discussed fully, as its importance deserves. There is no question that this year will see refunding operations on a large scale. Many companies, of sufficiently strong credit, will undoubtedly take advantage of the favorable money market. Ultimately this should be a strong stock market influence. It will certainly have a good effect on the status of a number of stock issues.—Editor.

HAVE BONDS DISCOUNTED LOWER MONEY RATES?

(*Continued from page* 460)

profits into actual profits now exists in a large degree. Signs of this impulse are evident in many directions. Additionally, in comparing bond prices with prices of preferred stocks and common stocks, the latter seem to be in a more favorable position. The latter, particularly preferred stocks, have not done much by way of discounting lower money rates, and it is a reasonable assumption that many investors will divert their funds into these generally more attractive channels.

Thus from a speculative viewpoint, bonds offer less attractions at these levels than other types of securities.

The outlook is that the bond market will exhibit greater stability with the oncoming months and that advances will be rather the exception. These will most likely be confined to bonds which have not yet discounted the decline in money rates.

This study has been based on conditions which are likely to prevail in the next few months. Ultimately, of course, after a period of several years, present money rates will probably seem high compared to those which will prevail at that time, and in that event, present bond prices, for all classes, will seem low. To put it simply: the immediate outlook for the bond market is not particularly brilliant on account of the conditions described, but from a long-range viewpoint, there is much to be said in favor of higher prices all around.

WHAT THE BUSINESS MAN SHOULD BUY

(*Continued from page* 469)

is a common stock (though, in this instance because there are no other obligations ahead, it is the same as a preferred stock), and the third is a railroad bond. Yet all three are business men's investments because they cover the requirements demanded by this term. In other words, they are all reasonably "safe," return a comparatively high yield, and offer good opportunities for enhancement in value within a reasonable period. They are not exactly the sort of security which one would recommend to an individual entirely dependent on a small capital, but they can be recommended to business men as an ideal type of investment for their purposes.

In the accompanying table will be found a number of securities, bonds and stocks which, in the writer's opinion, constitute good investments for business men. It will be noticed that there are no truly speculative issues, such as Mexican Petroleum or Crucible Steel among dividend-paying issues or Houston Oil or Sears-Roebuck among the non-dividend-paying issues, simply because in these instances the element of speculation assumes importance at the expense of the other desirable factors which are required in a business man's investment. After all, business men should not ignore the investment phase unless they deliberately intend to speculate, which is quite a different matter and not the purpose of this article to discuss.

Conclusion

If business men will approach the investment problem as they do their own business problems, they will be doing something that is sane and practical. No business man expects to make a 100% on his capital. He is glad to retain 10% or 15% of total gross receipts.

That should be his attitude toward investment.

Let him make it a business proposition—where he is willing to take a reasonable chance for a reasonable return and a reasonable profit. In order to do that, he will have to understand security values, or if he has not the time or disposition for that, let him apply to some one who does know. Let him avoid excessive risks, but at the same time let him be ready when a good opportunity comes along. There are plenty of such opportunities at hand. A few of them are indicated in the accompanying table.

Securities and Commodities Analyzed in This Issue

INTIMATE TALKS WITH INVESTORS

(Continued from page 486)

in securities are probably in the holdings of the good old conservatives who bought 'em for cash (and held 'em, Sir-ee!), even though they dropped from the hundreds to plain tens; and even though some of them have not a dog's chance in the next decade of going to half the price.

Where are the cash holders of Pullman, Wells Fargo, Manhattan Elevated? It is getting tiresome to quote the New Havens, St. Pauls, Denvers, "Katys," and the long string of bought-and-paid for "investments"—the kind that were put in strong boxes, and slept on.

If you can really be in the idle rich, or even the plodding and saving class, determined to buy only what you can pay for—and guarantee to yourself that your cash purchase will not influence you to ignore either the fundamentals of the market, business, or weakness that might develop in your stock—then you are in a fair way toward doing better than the majority of sleeping investors.

It is much better to buy on very liberal margin—at least fifty per cent—and buy at or far below intrinsic values, and then watch your values. You really do not need to be a statistician to work out the intrinsic value of your stock. Better knowledge of the subject can be secured from us, and from other reliable financial sources, at little expenditure of time or money. This would mean, that instead of buying 10 shares U. S. Steel around 100, 90 or 80 for cash, and ignoring every fluctuation in Steel, or the conditions of the industry, and just taking a chance on what the next ten years might hold for this corporation, it would be better, in the long run, to put up say $30 or $40 a share on stock bought around 85 (today's price), and hope for the best.

In the last analysis, margin-buying should be a means to an end, and not for the purpose of carrying more stock than one can readily afford. The biggest losses we know of came about through cash purchases of a certain stock in which the bottom literally dropped out, and the holder decided to average down—on margin. Said stock finally dropped out of quotations. The buyer on margin would not have allowed his stock to fall so far, or his broker would have reminded him of his troubles, and we feel that the deal would have had an earlier termination in a much smaller loss.

Do not consider your margin buying a weakness on your part, provided you margin very heavily, and know what you are doing.

FURTHER POINTS ON MARGIN REQUIREMENTS

We have in mind a disgruntled reader who started off with a capital of about $1,500 to $2,000, or a little more, perhaps. He commenced trading in 100 share lots, in Baldwin, Crucible and Mexican Petroleum. He was finally long or short of 300 shares of Baldwin. We forget the precise details, having many other things to think about. He was quite disappointed because a stop-loss order or two made quite a dent in his trading capital.

Can you wonder why this man and many others, with a poor conception of right methods, become disgruntled and discouraged; and why they blame the Street instead of themselves? Would you transport a load of dynamite through Broadway, New York, at forty-five miles an hour? Would you use solid steel tires for the job?

Before trading—before commencing to trade—take stock of your holdings, your available ready cash, and all your reserve funds. Make sure that "available" means salable at a price within an hour. Are your present holdings margined to the extent of 30% to 50%? And have you a further reserve of about 30% when needed? If so, when the market makes a new low price, you will not become panic stricken, and you might be able to buy at the bottom instead of selling there.

We may take up this subject in greater detail in a future issue. Meantime, the opinion is expressed that, while very experienced operators can trade on a lesser margin with stops, the business man or distant operator should have not less than 50% margin kept clear; and in certain markets should have in addition the protection of a stop-loss order. The stop order need not be too close. It can be 5 to even 10 points away, the whole idea being to protect the backbone of his entire capital, on the theory that in an emergency it is better to lose 10%, with the ability to come in again, than to lose an indefinite and uncertain portion which, under certain conditions, may mean being wiped out entirely.

Remember this: He who fights and runs away, may live to fight another day.

FORECASTING THE TURN

Many people would like the distinction of "calling the turn," not alone for the glory of being right, but for the reason that there is money in it. There are many kinds of turns, the main moves being the major cycle lasting for years; the intermediate cycle (this is a new one first mentioned here by the writer); and the minor swing. Within the swings necessary to accomplish this, are many other eddies and currents that confuse.

As for the broad swing, from bear market to bull market—known as the major cycle—this is the most difficult turn of all to distinguish or forecast months ahead.

Who can definitely predict what will happen in Europe during the next five years? The writer cannot do so, and the next major cycle will be influenced by such happenings. *Per sequens,* the

turn in the major cycle may be delayed until the outlook is cleared up more definitely than at present.

However, there are very many profitable swings in bull and bear markets often showing from 30 to 50 points profit. There are definite signs of turns of importance that work almost uniformly, and on average are profitable. The writer does not lay down rules on the subject. *There are no rules.* The best rule is a stop-loss order in case the "symptom" does not work.

Volume, combined with force, often marks the turn. No movement can culminate without very heavy volume, which latter is modified only by the extent of the previous volume. Thus, 15 days of 500,000 shares each, followed by a day or two of 1,000,000 share days, will often mark the turn, although not always the exact top or bottom. If previous sessions were 800,000 share days on average, a 1,000,000 share day following would not be extraordinary, but merely an increase of force. It will then depend how the market accepts the increased strain (purely an architectural and engineering law). If volume increases and no greater declines or advances are recorded—or very little net change—it usually marks the turn. Remember again: *there are no rules.*

A very large volume in any stock, sometimes 50% to 200% higher than any volume recorded for days or months preceding, marks a distinct turn on the bull or bear side. The only way to pick the turns is to chart the market, stocks and volumes.

The above is a suggestion, and not a formula.

INTERNATIONAL HARVESTER

(Continued from page 464)

the source of supply of sisal, which is a fiber used for binding. In Cuba 3,000 acres were acquired, of which 1,000 are under cultivation.

Conclusion

Capitalization consists of $60,000,000 7% cumulative preferred stock and $93,636,000 common stock, par $100. The preferred at present price of 106 looks like an attractive investment opportunity as working capital alone, even allowing for a big loss in 1921, is considerably over two times the preferred stock issue. The yield is 6.6%.

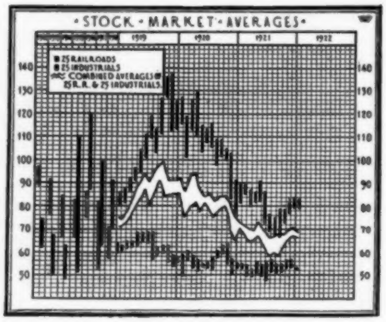
Dividends at the rate of 5% per annum are being paid on the common stock. In view of the fact that the company is in strong financial condition, with bank loans cleared up and trade outlook improving, there is every reason to believe that this dividend will be continued. Of course the stock at present prices of around 83 is in a rather speculative position as it has advanced from a low of 67⅝ made in August, 1921. As a good sized deficit will undoubtedly be shown in the 1921 report, it is quite likely that the stock may be picked up to better advantage in the next few months. The large asset value behind this stock is bound to tell in time, however, and it looks decidedly attractive as a long pull proposition.

HOW TO FORECAST BUSINESS AND INVESTMENT CONDITIONS

(Continued from page 449)

however, was more particularly confined to the industrial list. The railroads and public utilities were for a time sympathetically affected but by no means lost as much ground, in a market sense, as the industrials. In fact, toward the end of 1919, when the industrials commenced their long downward movement, the railroads commenced to show signs of comparative stability and the public utilities actually commenced to make gains.

The reasons for the greater stability in railroad shares and improved position of the public utility shares were that these companies commenced to benefit from the very conditions which were unfavorably affecting the industrial companies. In other words, industries such as the railroads and public utilities, with fixed rates, and a comparatively stable amount of business commenced to benefit from the



lower cost of operations, whereas manufacturing companies found their business falling away, and their prices dropping at the same time that their cost of operation remained comparatively high.

It was not until August, 1921, that the downward movement in industrial shares definitely halted and from that time on there has been a persistent and steady rise which from present indications is very likely to continue for a long period.

Money Rates

It is significant that the downward movement in stocks in November, 1919, coincided with the highest call money rates in the history of the New York Stock Exchange and that it was not until almost two years later, in August, 1921, when the money situation had shown signs of unmistakable improvement that stocks commenced to rise.

While it is more particularly true that fixed income-bearing securities such as bonds and preferred stocks are affected by money conditions, it is also generally true that the condition of the money market at any particular time has a bearing on the course of stock prices. The outlook for stock prices will therefore be at least partially governed by the conditions which are likely to surround the money market.

Commodity and Stock Prices Contrasted

The effort is frequently made by economic writers to correlate the changes in the value of stocks and bonds with those in the values of commodities. The theory upon which this effort is based is somewhat as follows: Changes in the value of commodities represent the changes in the purchasing power of money. Changes in the value of securities represent changes in the capital value of given income-producing properties. If a unit of money becomes less valuable it commands a smaller amount of commodities, or, in other words, prices rise. At the same time the effect of a declining value of money, measured in terms of commodities, is to make the income yield of a given security of fixed rate—6%—less in its power to command commodities. A 6% bond which stood at par when the price level was 100, say in 1913, yields an income—$6—which at the peak level of prices in May, 1920, commanded considerably less than half the same consummable goods that it commanded in 1913. The property which would produce this $6 ought therefore, other things being equal, to have declined in value as commodity prices rose; or, in other words, values of stocks and bonds of given income should have fallen as prices advanced and should have risen as prices declined. On this theory we should have seen a low level of stock market values in 1920, and a relatively high level during the latter part of 1921.

There have been too many extraneous factors at work to permit an exact correlation of this kind during the years 1919-21. Examination of the graphs already furnished, however, shows that, allowing for a certain amount of "lag," there is some tendency on the part of security values and commodity values to move upon opposing lines as they theoretically should. Stock and bond prices today are rising and on the whole have been fairly steadily rising since the commodity level became stabilized at the relatively low point of 140 which was reached toward the end of July, 1921. The values of stocks and bonds, however, especially those that are internationally traded in, have been affected by many factors which did not ordinarily figure in an important way during the entire period of slow price fluctuations which have been characteristic in former years during periods when the leading commercial nations were firmly on a gold standard.

Conclusion

It may be expected that from this time forward there will be a greater degree of correlation than during the past three years. How far this will exist is, however, a matter calling for very much more detailed study, and especially for analysis of exchange rates and foreign price conditions which must be furnished in a subsequent article.

ANSWERS TO INQUIRIES

(*Continued from page* 471)

on inventory of raw material and finished products. The balance sheet of the company as of December 31, 1920, showed a fairly good financial condition, working capital amounting to $3,804,226. Capitalization consists of $6,779,830 stock, par value $10. The stock appears to have fairly good possibilities for the long pull, but it will probably be slow, and we think it would be to your advantage to switch into a stock with better immediate possibilities. A suggestion is Tennessee Copper.

MARTIN PARRY

Should Profits Be Taken?

On your excellent advice I switched 100 shares of American Sumatra into 100 shares of Martin Parry at 21. As it is now selling around 32, I would like your opinion as to whether or not it would be good policy to take profits or hold on.—R. T. F., Trenton, N. J.

The outlook for Martin Parry is very good indeed as it has arranged with several large automobile concerns to manufacture their light truck bodies. Even at present levels we are impressed with the long pull possibilities of the stock. At the same time it has had a very rapid advance and if we were in your position would be inclined to take profits on at least half of your holdings. By selling 50 shares at 32 the cost of the other 50 shares would be marked down to $10 and you would be getting a return on this investment of 20% per annum.

AMERICAN RADIATOR

A Strong Company

Having purchased American Radiator common at 70, I find it is now around 90. Will you kindly advise me if it would be well to take profits and switch into Allis-Chalmers preferred or hold?—D. F. J., Titusville, Pa.

American Radiator for the year ended December 31, 1920, earned 22.87% on the common stock. The balance sheet showed a working capital of $13,000,000. In the current year the company felt the general slump in business and its operations had been on a basis of 50% of its capacity. However, it has recently been stated that there has been a substantial increase in business, and, with the present shortage in housing, it is reasonable to anticipate a very considerable increase in building operations, which would mean a good demand for the products of the company. Although the stock has had a very considerable advance, it offers, in our opinion, attractive speculative possibilities, and if you are inclined to take the risk, we would suggest holding it. However, if you desire to switch into a stock which is perhaps a little more secure, we would suggest Allis-Chalmers preferred, which is selling at around the same figure as American Radiator common at present. The Allis-Chalmers Co. is in a very strong financial condition, its last balance sheet showing a working capital of about $25,000,000, and, in our opinion, the outlook is promising for the continued success of the concern.

WANTS DIVIDEND PAYERS

A Few Suggestions

Would you recommend the sale of non-dividend paying copper stocks to switch into some dividend paying stocks, yielding 7% or higher, which in your opinion may have the same speculative possibilities for enhancement as the copper stocks. I purchased my copper stocks at much higher prices and while I believe that ultimately they will go up very near to my purchase price I am anxious to increase my income this coming year. Will you give me a list of stocks, either common or preferred, yielding 7% or higher, which combine a safe prospect of dividends during the coming year or two, with speculative possibilities for an advance. I hold Inspiration, Ray and Anaconda.—H. Y. W., Pittsburgh, Pa.

We agree with you that Inspiration, Ray and Anaconda in the next few years have an excellent chance of going up close to your purchase prices. However, as you wish to have some return from your investment at the present time, there are good opportunities in dividend-paying stocks. In the preferred class we would suggest Allis-Chalmers 7% preferred, selling around 87. The working capital of this company alone is very much in excess of the preferred stock issue, and with such large assets behind it we believe that the stock should gradually work up from present levels to around par.

Another preferred stock we favor is California Petroleum 7% preferred, selling around 85. This company is in very strong financial condition and earnings in 1921 showed up remarkably well. Moreover, the company has adopted the policy of purchasing the preferred stock in the open market and retiring it.

In the common stock list, we would suggest Westinghouse Electric, paying $4 per share per annum and selling under 50. This company for the past several years has been very conservative with its dividend payments and as a result is in strong financial condition.

In the public utility field would suggest Philadelphia Co. This company pays $3 per share per annum on the common stock and the outlook for the next few years appears to be decidedly bright.

ATTRACTIVE SPECULATIONS

Six Good Stocks

Please send me a list of investment stocks that in your opinion will share in the upward trend next Spring, also a few of the very best speculative stocks. Do you regard it as advisable to buy on this reaction or wait for still lower prices?—K. J. H., Waltham, Mass.

As stocks suitable for investment purposes that are likely to improve in value this year, we suggest the following:

Allis-Chalmers 7% pfd. Price, 87.
California Petroleum 7% pfd. Price, 84.
Atchison 6%. Price, 92.
Union Pacific 10%. Price, 125.
Westinghouse Electric $4. Price, 49.
Southern Pacific $6. Price, 78.

B. S. B. & R. B. C.

(Continued from page 467)

as cheap as Bethlehem Steel common with its 5% dividend rate, even admitting that Bethlehem has rather a cumbersome financial structure and one that bears marks of having been constructed under the stress of war-time expansion. The investment of the company in so-called war plants and in shipbuilding yards is relatively small as compared with the total property account. As a matter of fact, for years Bethlehem has been swinging to commercial steel and the real growth of the company was

planned along those lines. The common stock seems to have a speculative value well worth present prices.

Steel common may be said to have almost passed into the semi-investment class. While the shares still hold the theoretical leadership among the speculative steel stocks, they are, to a larger extent than ever before, being bought for permanent ownership, in the belief that the next revival in the steel industry will bring a full harvest to the corporation, and this is a well-founded belief. Considering the wonderful strength of the corporation and the wise use of war profits, the common shares are not intrinsically high and represent the soundest values among all the steel shares.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
4%	Allis-Chalmers, c...	1 %Q	1-24	2-15
$4	Am B'k N, c ($50)	.$1 Q	1-28	2-15
....	Am B'k Note, c ext.	$1	1-28	2-15
....	Amer Brass	1½%	1-31	2- 6
7%	Amer Radiator, p..	1¾ %Q	2- 1	2-15
$4	Am Radi'r, c ($25)	.$1 Q	3-15	3-31
6%	Am Soda Fountain.	1½ %Q	1-31	2-15
6%	Atch, T & S Fe, c.	1½ %Q	1-31	3- 1
8%	Brooklyn Edison ..	2 %Q	2-17	3- 1
$8	Buckeye P L ($50)	.$2 Q	2-21	3-15
7%	Burns Bros, prior p.	a1¾ %Q	1-23	2- 1
$8	B'ns B, c "A" (no p)	.a$2 Q	2- 1	2-15
....	Burns B's, c A ext.	50c	2- 1	2-15
....	B'ns B, c B (no p)	.a50c	2- 1	2-15
$6	Cal Pack, c (no p)	.$1.50 Q	2-28	3-15
3%	Cedar Rapids Power	¾ %Q	1-31	2-15
8%	Celluloid Co, p.....	2 %Q	1-30	2-15
$4	Chic Yel C, c (no p)	.$1 Q	2- 1	2-15
5%	Cinc, N O & T P, p.	1¼ %Q	2-18	3- 1
6%	Columbia Gas & E.	1½ %Q	1-31	2-15
$2.40	Compania S I ($15)	.$1.20 S	1-21	2-21
....	Cop Range, c ($25)	$1	2- 1	3- 1
6%	Davis Mills	1½ %Q	3-11	3-25
....	Dome M, L, ext	zz$1	3-31	4-20
4%	Dominion Bridge...	1 %Q	1-31	2-15
$1.20	Dom Oil (T) ($10)	.30c Q	3-10	4- 1
7%	Dow Chemical, p...	1¾ %Q	2- 4	2-15
7%	Dow Chemical, c...	1¾ %Q	2- 4	2-15
....	Dow Chemical, c ext	1¾ %	2- 4	2-15
7%	Durham Hosiery, p.	1¾ %Q	2-20	3- 1
5%	Eisenl'r (O) & B, c	1¼ %Q	2- 1	2-15
7%	General Cigar, p...	1¾ %Q	2-21	3- 1
7%	General Cigar, p deb	1¾ %Q	3-25	4- 1
$12	Gill Saf Raz (no p)	.$3 Q	1-31	3- 1
....	Gill Saf R, stk div.	x2½ %	4- 1	6- 1
8%	Gt Lakes D & Dock	2 %Q	2- 9	2-15
4%	Hart, Schaf & M c.	1 %Q	2-16	2-28
$1	H & B T RR & C,p ($50)	.50c S	2- 1	2-15
8%	Iron Prod Corp, p.	2 %Q	2- 1	2-15
8%	Kaministiquia Pow.	2 %Q	1-31	2-15
8%	Kelly-Sp Tire, 8% p	2 %Q	2- 1	2-15
10%	Lancaster Mills, c.	2½ %Q	2-20	3- 1
$2	Lee Rub & T (no p)	.50c Q	2-15	3- 1
10%	Lit Bros. ($10)....	5 %S	1-26	2-20
....	Lit Bros, ext......	2½ %	1-26	2-20
6%	Madison Safe Depos	3 %S	2-10	2-15
....	Madison S Dep, ext	1 %	2-10	2-15
$2	M Parry, c (no p)	.50c Q	2-15	3- 1
12%	Mass. Cotton Mills.	3 %Q	1-23	2-10
....	Mex Seab O (no p)	.$1	1-10	3-16
$2	Miami Copper ($5)	.50c Q	2- 1	2-15
4%	Middle West Util, p	1 %Q	1-31	2-15
....	Mohawk Min ($25)	.$1	2- 1	2-21
8%	Mont Lt, Ht & Pow	2 %Q	1-31	2-15
5%	Mon L, H & P Cons	1¼ %Q	1-31	2-15
7%	National Biscuit, p.	1¾ %Q	2-14	2-28
7%	National Biscuit, c.	1¾ %Q	3-31	4-15
7%	National Lead, p..	1¾ %Q	2-24	3-15
....	New Corn'a C ($5)	.25c	2- 3	2-20
$4	N Y Shipb C (no p)	.$1 Q	2- 9	3- 1
4%	Ontario Stl Prod, c	1 %Q	1-31	2-15
20%	Procter & G, c ($20)	5 %Q	1-25	2-15
12c	Ranger Tex O ($1)	3c Q	3-10	4- 1
$2	R'd'g Co, 1st p, ($50)	.50c Q	2-17	3- 9
$4	Reading Co, c ($50)	.$1 Q	1-17	2- 9
....	R D-A & N Y sh (no p)	.$1.824	1-30	2-11
8%	Sinclair Con Oil, p	2 %Q	2-15	2-28
7%	Stand Oil of O, p.	1¾ %Q	1-27	3- 1
$2	Stew-W S (no p).	.50c Q	1-31	2-15
$1.80	Tex. Ch'f Oil ($10)	.45c Q	3-10	4- 1
6%	Tobacco Products, c.	1½ %Q	1-31	2-15
4%	Tri-City Ry & Lt, c	1 %Q	12-31	3- 1
7%	Union Tank Car, p	1¾ %Q	2- 6	3- 1
7%	Union Tank Car, c	1¾ %Q	2- 6	3- 1
7%	United Bar S, Inc, p	1¾ %Q	2- 1	2-15
36c	United Royalt's ($1)	3c M	2- 1	2-27
7%	Van Raalte, 1st p.	1¾ %Q	2-15	3- 1
$7	V R, 2nd p (no p)	.$1.75 Q	2-15	3- 1
....	Va I, C & C, stk d.	z50 %	2- 1	2-15
....	Warren Bros, 1st p.	m6 %	1-16	4- 1
....	Warren Bros, 2nd p.	m7 %	1-16	4- 1
8%	Woolworth (F W), c	2 %Q	2-10	3- 1
12c	"Y" Oil & Gas ($1)	1c M	2- 1	2-15

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A. F. HOCKENBEAMER,
Vice-President and Treasurer.
San Francisco, California.

ET